

## **The Influence of Psychological Capital on Organization Learning in Banking Sector of Pakistan**

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### **ABSTRACT**

In today's competitive market, organization learning is assumed to be an important success factor for all types of organizations. In the previous researches and literature, various factors have been considered to affect organization learning. This paper attempts to explore the influence of psychological capital on organization learning among banking sector. The population includes all managers and executives working in all banks of Pakistan. Among those in the population, 50 managers and executives are selected from different banks of Pakistan based on convenience sampling. For data analysis, the regression and correlation analysis is used. The results illustrated positive and significant influence of psychological capital on organization learning. The paper's findings imply self-efficacy, hope, resilience and optimism, the four elements of psychological capital, encourage and promote learning environment in the banking sector of Pakistan.

### **1. INTRODUCTION**

The accelerating rate of globalization has intensified the competition among the organizations around the globe and this competition encouraging organizations to pursue learning environment and culture of change. In this competitive environment, those organizations may be successful which learn more rapidly than the change in environment. The previous researches demonstrate that learning capability and willingness facilitate organizations to gain long-term competitive advantage over competitors and that organization learning plays a vital role for sustaining in volatile and competitive environment Dickson (1996). Organizational learning and management practices may support human capital to achieve goals but Learning cannot be sustained until people in the organization are self-confident, having positive attribution and ability to deal with uncertainties. In order to sustain and maintaining pace of transformation, employees must follow characteristics of Psychological capital which are hope, resilience, self-efficacy and optimism Luthans et al. (2007).

Psychological capital, the concept drawn from positive psychology contributes to today's work place in terms of improved performance, learning and higher productivity among members of organizations Luthans (2002). PsyCap is an individual's positive psychological state of development and is explained by four elements hope, efficacy, resilience, and optimism Kersting (2003). Psychological capital enables members of organization to be creative, promote innovation and learning.

In competitive market today, organizations are contemplating that managing human capital effectively may help to achieve a sustainable competitive advantage Pfeffer (1994) and approach to managing this is through building a learning organization Gravin (1993). According to Johanna D. Sweet (2012), there exists a positive and considerable relationship between the psychological capital score and organizational learning. The factors of psychological capital may promote organizational learning and can contribute in achieving individual and organizational goals. The concept of Organizational learning in banking sector is also very crucial as banks are facing intense competition amid strong regulations of central bank. In order to succeed and flourish, managers need to be self-confident, optimistic, resilient and hopeful of achieving desired results by continual organization learning. Through this study, the researchers intend to examine the influence of PsyCap on organization learning in banking sector.

### **1.1 RESEARCH AIM**

The aim of the research is to study the influence of psychological capital on organizational learning in banking sector. The literature supports the influence of Psychological capital on organization learning but study has not been conducted in banking sector. This paper attempts to examine the influence of Psychological capital on organization learning in banking sector.

## **2. LITERATURE REVIEW**

### **2.1 PSYCHOLOGICAL CAPITAL**

The origin of Psychological capital rooted in positive organizational behavior with connection to foundation of positive psychology Luthans (2002). The four factors) Self Efficacy ii) Hope iii) Resilience iv) Optimism illustrate the concept of psychological capital Luthans et al. (2007). Self-efficacy is the sense of self confidence, belief and having capacity to achieve the targeted goals Bandura & Locke (2003).

Luthans et al. (2007) defines optimism as making positive attributions and hope is directing efforts towards achievement of goals and redirecting paths to fulfillment of goals. The final characteristic of Psychological capital is resilience which is the ability to deal with adversity, sustain and cope up with conflicting situations to attain goals Luthans et al. (2007). The Psychological capital can be developed among individuals at any stage of life. He further reported that Psychological capital is an effective tool in attaining desirable organizational performance Lewis (2011).

Stajkovic & Luthans (1998) defined self-efficacy as employee self-confidence about his abilities to utilize cognitive resources and motivation level to achieve the significant tasks. Wood & Wood (1996) has also characterized the concept of self-efficacy as Person's own belief in his skills and attitude towards achievement of goals. Self-Efficacy is significant component to cope up with transformational change and achieving positive results. According to Bandura (1997), Setting and achievement of Personal goals are influenced by self-appraisal of capabilities and the strong self-efficacy leads people to set competitive goals and make firm commitment and involvement in attaining the goals. In previous researches it was found that clarity of goals and participation of management promotes self-efficacy Arnetz & Blomkvist (2007). Self-efficacy is also helpful in dealing with employee stress and important component in rapidly changing environment Jimmieson (2004).

Hope has been discussed by various scholars in different perspectives. Synder (2000) defined hope as an idea of having positive view of future outcomes. Linley & Joseph (2004) hope reveals the individual's perception of his or her ability to envisage targets, developing strategies and sustaining efforts to achieve the targets. Hope has a significant impact on performance of employee as it contributes towards attainment of goals Peterson & Byron (2007). Resilience enables an individual to generate positive outcomes and results in spite of threats and difficulties Masten (2001). It relates to positive organizational behavior. Due to globalization, the world is more technologically advanced and interdependent, it tends to increase risks Campos (2015). The certain accepted characteristics of resilient individuals are firm acceptance of reality, deep belief in one's self and ability to ameliorate and accept significant change Coutu (2002). Reivich & Shattle (2002) has considered resilience as a key to achieving success. Resilience not only helps to cope with problems of stress and threats but it also motivates an individual to achieve higher level of satisfaction at work Masten & Reed (2002). It is the capacity to bounce back from adverse situation and unfavorable position Luthans (2002). The Organizations are adopting resilience based training for employees because it is contributing to success of the organization (Norman et al 2005). The study was conducted on resiliency among Chinese health care workers, that study showed that resiliency has significant positive effect on job satisfaction and work life balance.

Seligman (1998), defined optimism as an attribution style that characterize positive results and events as personal and long-lasting whereas negative events are caused due to external situation and are characterized as temporary. The individuals who demonstrate realistic optimism have high levels of engagement towards organizations Peterson (2000). This commitment and engagement towards organization leads to improved performance and results Luthans et al (2004). In positive organization behavior, optimism considers unconstructive events as external and unmanageable and takes positive events with an internal locus of control where events are attributed to personal, permanent, and pervasive causes. Seligman (1998)

## **2.2 ORGANIZATION LEARNING**

Organizational learning has been defined by various scholars and academicians. Senge (1990) defined OL as an organization where members of organization continually improvise and broaden their capacity to produce desired results. He further added that OL as model of promoting creativity, frequent learning and collective ambitions. Garvin (1993) defined OL in another perspective, according to him, an organization that is capable of creating, attaining and transmitting useful knowledge. According to Goh and Richards (1997) Organization learning capability can be defined as the managerial factors or practices that help an organization to create learning process. Jerez-Gomez (2005) quoted OLC as a means through which organizations alter their established rules, processes, thinking models to enhance the performance. Keeping these perspectives in mind, OLC can be considered an important tool for organization effectiveness. Santos-Vijande (2005) studies concluded that OLC is useful measure of organization learning and performance. OLC also supports organizational learning by improvising employee's knowledge and simultaneously sharing of knowledge creates suitable conditions Jerez-Gomez et al., (2005). Also, Organizations following the concept of OLC capitalize external environment to build new products, processes and superior management practices by collecting timely and precise information Akgün et al., (2013). Through

the literature review it has been observed that OLC is multiple dimension construct and contains 11 dimensions. Watkins & Marsick (1993) defined learning organization dimensions on three levels i.e. 1. Individual level learning 2. Team level learning 3. Organization learning

Chiva (2007) found out five important dimensions of organizational learning and these include i) Experimentation ii) Risk taking iii) Interaction with the external environment iv) Dialogue) Participative decision.

Weick & Westley, (1996) has defined experimentation as degree to which innovative thoughts and proposals are entertained where as Nevis et al. (1995) took experimentation as a process that involves considering new ideas and bringing changes in the work process. It challenges the established order and treated as manifestation of the creative environment Alegre (2003). Risk-Taking is the organization's courage to deviate from usual path and willing to take risk Wiklund & Shepherd (2003). Begley & Boyd (1987) found that performance of organization is positively related to risk taking. Openness and interaction with the external environment refers to degree of organization's relationship with external environment and culture of openness that supports novelty and different new ideas Jerez-Gomez et al., (2005). Dialogue refers to continued inquiry into the processes, suppositions, and certainties building up everyday experience Isaacs (1993). Through dialogue, employees and organizational learning is connected Oswick (2000). Participative decision making is involving employees in decision making process of organization cotton (1988) and it augments commitment and accelerates innovation process Damanpour (1991). By adopting participative decision making, there is less resistance to change and for innovation Wall & Lischeron, (1977). Managerial commitment is defined as willingness of managers to accept and promote learning for organizational growth and prosperity. Managers develop an environment that supports the acquiring, conception and transport of knowledge as prime values Jerez-Gomez et al., (2005). Leadership commitment and empowerment emphasize the key responsibility of leaders regarding motivating and helping people in the organization to learn and adopt culture of change and new ideas Goh & Richards (1997)

## 2.3 CONCEPTUAL FRAMEWORK

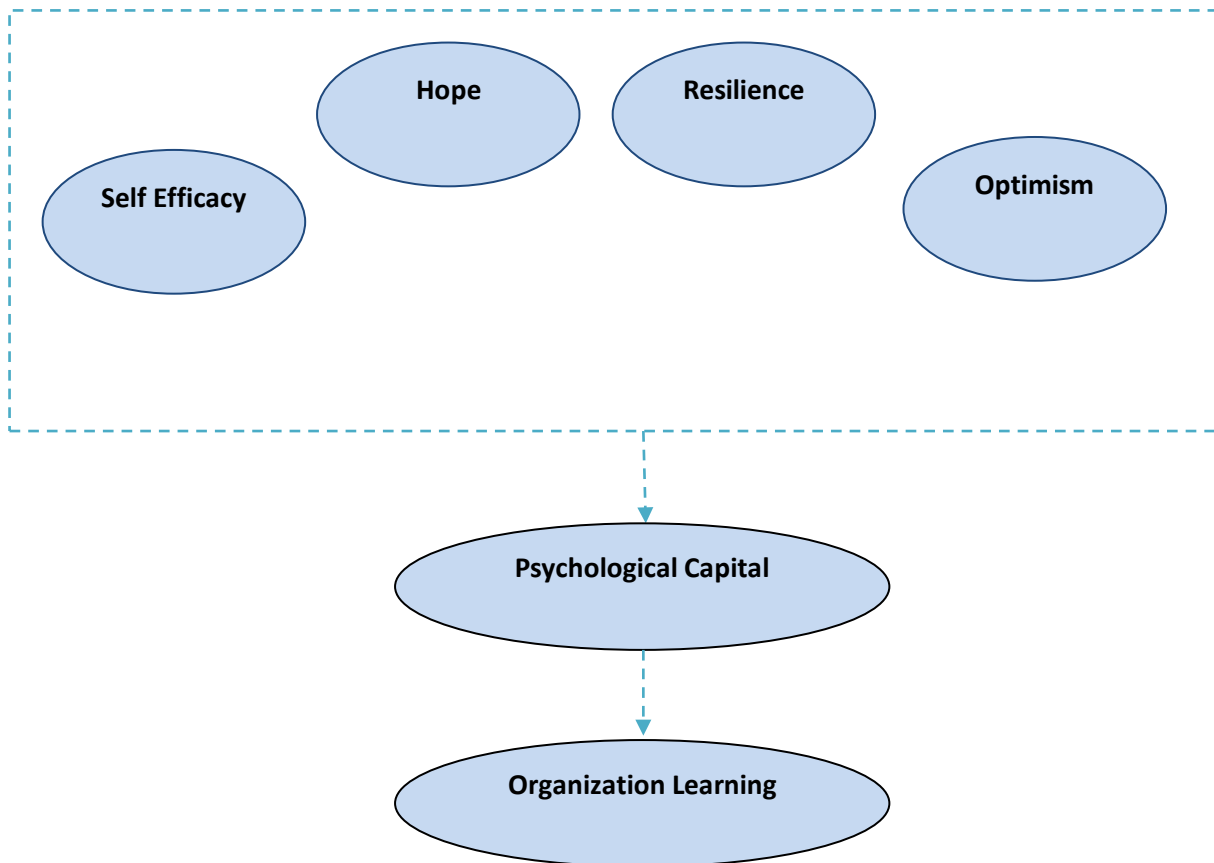
### **The Influence of Psychological Capital on Organizational Learning**

The constructs of psychological capital help individuals and organizations to create learning environment. Self-efficacy, hope, optimism, and resilience have impact on employee's ability to cope with and implement change. Johanna D. Sweet (2012) showed positive and moderate relationship between Psychological capital and organization learning in health care industry. The elements of learning at individual level showed strongest relationship to psychological capital.

The Conceptual framework of PsyCap and Organization learning has been represented in Figure One. It exhibits the relationship among independent variable Psychological capital and dependent variable Organization Learning. The four variables of Psychological Capital are efficacy, hope, resilience and optimism. In the study, relationship has been observed in banking sector where focus is on bank managers, dealing and managing employees in the bank. The main hypothesis can be drawn as:

H1: Psycap has significant influence on Organization Learning

**Figure 1: Conceptual Framework based on the Influence of PsyCap on Organization Learning**



### **The Influence of Self-efficacy on Organization Learning**

Self-efficacy as discussed earlier is ability and self-confidence of an individual to achieve desired results. Previous research conducted by Johanna D. Sweet (2012) showed weak to moderate relationship between self-efficacy and different dimensions of organization learning. The second hypothesis for the study is:

H2: Self- Efficacy has a significant influence on organization learning.

### **The Influence of Hope on Organization Learning**

Hope is directing efforts towards achievement of goals and redirecting paths to fulfillment of goals. Hope in the individuals promotes learning and desire for achievement of goals. The correlation between hope and learning was statistically significant and a moderate positive relationship was witnessed in the research conducted in health care organizations. Johanna D. Sweet (2012). The third hypothesis can be drawn as:

H3: Hope has a significant influence on organization learning.

### **The Influence of Resilience on Organization Learning**

Resilience as discussed earlier enables an individual to generate positive outcomes and results in spite of threats and difficulties. In the literature, significant correlation was found between resilience and continuous organization learning. Therefore, the fourth hypothesis can be drawn:

H4: Resilience has a significant influence on Organization Learning.

### **The Influence of Optimism on Organization Learning**

Optimism refers to explanatory method and the way in which people habitually unfold events in their own lives. The positive and significant relationship has been found in literature. The relationship in health care industry was moderate and positive. The fifth and final hypothesis can be:

H5: Optimism has a significant influence on Organization Learning.

## **3. METHODOLOGY**

The Quantitative survey research methodology has been used for the study. The underlying plan of this research was to quantify the impact of psychological capital on organization learning. In this regard, the researchers used correlation technique to determine the relationship of psychological elements on organization learning. The Pearson Product moment correlation coefficient  $r$  was calculated and analyzed for determining relationship. The researcher used the data from the banking sector. The data was gathered through self-administered questionnaire survey of Managers working in different banks, electronic questionnaire survey was also conducted to collect data. The respondents were identified and selected on the basis of convenience sampling.

The Researcher used already established and used scale of Psychological capital and organization learning. The Psychological capital scale was borrowed from Luthans et al. (2007) empirically validated scale, whereas the questionnaire on organization learning was taken to collect data from 50 respondents.

## **4. RESULTS AND DISCUSSION**

### **Respondent Profile**

The data provided in Table 1 represents information of the respondents. A total of 50 respondents responded in the survey. The 92% of the respondents are male, frequency out of 50 males is 46 and 8% of the respondents are female. In terms of Age, majority of the respondents are from Age group of 26-40 years as the table shows 88% of the individuals are from age group of 26-40 and 12% fall in the age group of 41-55 years. In terms of Education, 86% respondents hold Masters Degree and 10% of the respondents have higher degree of MS/M.phil. Only 2 individuals out of 50 have Bachelors degree. The Length of Service and experience of the individual's shows that majority of the respondents are new entrants and have just of 1 to 3 years, 60% of the individuals have experience of 1 to 3 years whereas 28% of the respondents have 4 to 7 years experience. In terms of Job rank, 12 respondents are Branch Manager, which is 24% of the sample. The individuals represent different departments i.e. Operations, Business Development/Sales, Marketing and Inspection etc. Majority of the respondents belong to Operations department as the table shows 48% are from Operations. This survey has been conducted in different banks of Pakistan including few respondents of State Bank of Pakistan.

Table No.1

Category	Profile	Total Number	Percentage
<b>Gender</b>	Male	46	92.0
	Female	4	8.0
<b>Age</b>	26 -40	44	88.0
	41-55	6	12.0
<b>Education</b>	Bachelors	2	4.0
	Masters	43	86.0
	MS/Mphil	5	10.0
<b>Length of Service with Current Employer</b>	1-3 years	30	60.0
	4-7 Years	14	28.0
	8-11 Years	6	12.0
<b>Job Rank</b>	Manager	4	8.0
	Executive	5	10.0
	Branch Manager	12	24.0
	Relationship Manager	2	4.0
	Assistant Director	10	20.0
	OG-II	6	12.0
	Operation Manager	7	14.0
	Trainee Banking Officer	2	4.0
	CSM	1	2.0
	IT Manager	1	2.0
<b>Departments</b>	HR	4	8.0
	Operations	24	48.0
	Business Development	5	10.0
	Marketing Inspection	5	10.0
	Sales	5	10.0
	IT	6	12.0
	Other	1	2.0
<b>Organization</b>	HBL	4	8.0
	SBP	10	20.0
	Bank of Khyber	5	10.0
	AL-Baraka	5	10.0
	Bank-Alhabib	5	10.0
	UBL	19	38.0
	MCB	2	4.0

### Analysis and Results

The Correlation technique is used to examine the strength and direction (positive or negative) of a relationship between two variables. The value of Pearson correlation, R (.678) represents positive and strong relation between Psychological capital and organization learning. The results show the significant influence of Psychological capital on organization learning. The results also show that 67% of changes and

variance of scores associated to organization learning in banking sector can be elucidated through blend of all four elements of Psychological capital.

<b>Table No.2 Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.678 <sup>a</sup>	.459	.448	.52963
a. Predictors: (Constant), Organizational Learning				

<b>Table No.3 ANOVA<sup>a</sup></b>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.433	1	11.433	40.759	.000 <sup>b</sup>
	Residual	13.464	48	.281		
	Total	24.897	49			
a. Dependent Variable: Psychological_Capital						
b. Predictors: (Constant), Organizational_Learning						

<b>Table No.4 Coefficients<sup>a</sup></b>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.679	.293		9.149	.000
	Organizational_Learning	.428	.067	.678	6.384	.000
a. Dependent Variable: Psychological_Capital						

**Hypothesis test results and Coefficient Correlation**

**Table 5: Results of the Pearson Correlation Coefficients (r)**

Dimension	Frequency	Correlation Coefficient (r)	Sig Level
PsyCap and OL	50	0.678	0.000
EFC and OL	50	0.357	0.011
HOP and OL	50	0.815	0.000
RES and OL	50	0.581	0.000
OPM and OL	50	0.431	0.000



It is clear from results in above table that organizational learning is influenced by psychological capital and it's each dimension. There is strong and significant relationship between psychological capital and organizational learning, while weak relationship has been noted in two dimensions i.e self-efficacy 0.35 and optimism 0.43 with organizational learning. But keeping in view relationship with other two dimensions i.e. hope 0.81 and resilience 0.58 the overall relationship of psychological capital and organizational learning is strong 0.67 and significant. Also, we noted that relationship is positive so it entails that with rise of psychological capital organizational learning will improve.

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