TAMK

THE RELATIONSHIP BETWEEN PSYCHOLOGICAL CAPITAL AND TRANSFORMATIONAL LEADERSHIP

Susanna Kaivonen

ABSTRACT

Tampereen ammattikorkeakoulu
Tampere University of Applied Sciences
Master of Business Administration
International Business Management

SUSANNA KAIVONEN:
The Relationship between Psychological Capital and Transformational Leadership

Master's thesis 48 pages
November 2018

The objective of the study was to investigate whether there is a relationship between Transformational Leadership and Psychological Capital. Transformational leadership is in several contexts considered as the best leadership method by being demonstrated to raise leadership to the next level.

Transformational leaders are often identified as creative, interactive, visionary, empowering and passionate. They are also considered as innovative and foresighted.

Psychological Capital is a concept based positive organizational psychology study. It consists of four dimensions: hope, optimism, resilience and self-efficacy.

Academic research has shown that individually both, Transformational Leadership and Psychological Capital, have indicated positive impact on employee well-being, satisfaction with work and commitment.

The present study aims to find out whether there is a correlation between Psychological Capital and Transformational Leadership.

The research method was quantitative. A survey was conducted among 205 Finnish middle-managers. The data collection was executed during the spring 2018.

According to the results, a clear correlation between Transformational Leadership and Psychological Capital can be found. For example efficacy indicated strong correlation with all dimensions of Transformational Leadership.

Key words: TRANSFORMATIONAL LEADERSHIP, PSYCHOLOGICAL CAPITAL, CORRELATION ANALYSIS

CONTENTS

1 INTRODUCTION

Leaders are not responsible for the results. Leaders are responsible for the people who are responsible for the results.

-Simon Sinek

Recently, the Finnish Business and Lifestyle magazine Optio (12/2018, 26-32) listed characteristics which are related to a great leader. A great leader for example inspires people to achieve their goals, motivates them to exceed their goals and makes them feel proud of themselves.

In many organizations, so called hard leadership has been replaced by soft leadership, including influence, persuasion, negotiation, appreciation, motivation, and collaboration for the collective good. (Rao, 2013) Organizations often refer to the tendency to blame their employees on insufficient results and lack of engagement. Investigations have shown, though, that leadership plays a significant role in organization´s success and is often strongly associated with employees´ well-being at work. Leaders who show great leadership qualities can inspire their subordinates to accomplish extraordinary tasks. Furthermore, employees that experience job satisfaction and feel fulfilled are more productive and feel greater loyalty to the organization. (Larsen, 2015, 5)

The purpose of this thesis is to investigate whether there is a relationship between Transformational Leadership and Psychological Capital. In order to designate the focus of this research, it was justifiable to end up with these particular concepts since Transformational Leadership is often associated with effective leadership and indicates similar traits as soft leadership. As Airaksinen-Aminoff defines, a transformational leader is like today´s Jedi, who should allocate his power correctly and develop himself continuously to be able to utilize the power for his subordinates and for the company. (www.mif.fi) Furthermore, Hautala (2005, 31) states that transformational leaders have succeeded in getting the best out of the most individuals they are leading.

In turn, according to Schein (in Hesselbein & Goldsmith, 2006, 255) all leadership competencies are based on psychology. Psychological Capital is a growing field of research and in the literature concerning Psychological Capital, several positive outcomes have been identified. The construct of Psychological Capital is defined as a positive psycho-

logical state of individual development, which requires three key element: self-confidence to assume and make the necessary efforts in order to be successful in difficult tasks, positive expectations of success in the present and for the future and perseverance in pursuing objectives. (Larsen et al. 2015, 16).

The idea for this topic and field of research emerged through the author´s personal interests in Human Resources, Leadership and Psychology. Stress, demotivation, and disengagement with the career can impact employees´ behavior and performance at work and eventually affect their personal life also. Efficient, encouraging leadership and employees´ belief in own capabilities instead, can reflect for not only individual´s performance but also organization´s performance.

Companies´ existence is based on the profit they make, but everything is not visible in the bottom line. Positive capacities like hope, optimism, self-efficacy and resilience are trainable and have significant effects on company´s results in terms of higher performance, lower stress levels and better well-being. In addition, leaders and managers are finding employee well-being and engagement to be more important in managing the workload. In that respect this study aims to investigate whether Transformational Leadership and Psychological Capital are associated with each other. Earlier research has shown, that in regard of which factors explain why people are engaged to their workplace, a single most common variable shown up was a question of the best and the worst leaders they had encountered. (Kouzes & Posner, 2013, 16) It´s the quality of the leadership that matters when it comes to the feeling about the company you are working for.

At this stage, it is consequential to take into account, that leadership skills are not inborn. They can be developed in case the leader is willing to acquire them. However, it is an undeniable fact that certain inherited qualities and traits make some people more suitable leaders than others.

1.1   Research Problem and Approach

Companies operate differently and there is not only one leadership style that would fit all. Transformational Leadership, however, is often considered as "the best leadership style" among employees and it has also served as a popular framework for research.

Despite of several studies investigating Transformational Leadership and its traits there are only a few published academic researches, which are focusing on the relationship between Transformational Leadership and Psychological Capital.

However, being rather modern field of research, Psychological Capital is widely recognized throughout the world. It has been associated with individual´s respective satisfaction appraisals, work well-being, motivation and even health. In earlier research it has been proven, that psychological capital has positive correlation with employee attitudes, behaviors and performance. From Organization´s point of view it is valuable to note, that Psychological Capital can be developed and learnt.

Even so, as outlined in chapter 1.1, it is important to acknowledge that everyone can become a leader - even a good leader. Like Kouzes & Posner (2013, 7) state, leadership is not preordained. It is not a gene and it is not a trait.

Based on the literature review and results of the survey, the purpose of the present study is to explore whether there is a relationship between Psychological Capital and Transformational Leadership.

In the present study the term *leader* is equivalent with the supervisor or manager of an organization. The word *follower* is used to describe the subordinates. Furthermore, concepts of *great* and *effective* leadership are treated as synonyms.

1.2   Limitations and Structure of the Study

The research objective of this study is Transformational Leadership. Since Transformational Leadership is often considered as the best leadership style, this study focuses only on Transformational Leadership, excluding other leadership styles. It is important to take into account that regardless of the appraisal of the present study, in some organizations other leadership styles can be as good as Transformational Leadership, or even better. Nevertheless, it could be an interesting topic for further research to compare these upcoming results with similar analysis of other leadership styles.

Additionally, it is good to note that the sample of the study was comprised of managers who agreed to participate without earning any financial benefit by conducting the survey.

Besides, some caution is warranted regarding the neutrality of the answers due to self-appraisal of the managers. The results might differ from the present study, if also the appraisals of the subordinates were analyzed side by side and compared with each other.

Even though the sample was relatively extensive (n=205), all participants in this investigation occupied central positions in organizational hierarchies. By expanding the scope from middle managers to all managerial levels, more accurate results could have been generated.

The background and aim of the study along with the structure of the thesis are presented in the first chapter. Chapters two and three build the theoretical background for the study including literature review. The reader will be provided a general understanding of the two independent constructs of this study: Transformational Leadership and Psychological Capital. Chapter two defines the concept of Transformational Leadership and it´s dimensions and chapter three familiarizes the reader with the theory of Psychological Capital including the main elements of the concept.

Chapter four is dedicated to the research methodology, including Data Collection and introduction to the methods of data analysis. The data was collected by conducting a survey among over 200 managers in Finland. An overview of the sample will be provided.

In chapter five, the results of the research are analyzed and reflected with the research literature.
Finally, in chapter six previous chapters are summarized.

2   TRANSFORMATIONAL LEADERSHIP

Leaders today are called upon to be coaches, acting as a stand for the greatness of others within the enterprise. They seek to understand the whole person, his or her purpose, desires, and interests and look for the individual´s vector of energy for the organization´s vision. (Hacker & Roberts, 2003)

Leaders are always regarded as role models for their followers, who usually imitate their leaders. In such way, leaders become an influential source of information for their followers and thus have a great impact on the followers´ attitude and behavior. (Chen et. al. 2017)

The significance of an efficient leader is self-evident. According to a research by Posner & Kouzes (2013, 5) the best leaders bring out two to three times the talents in others compared to the worst leaders.

FIGURE 1. The Best Leaders Bring Out Two to Three Times the Talents in Others Compared to the Worst Leaders (Kouzes & Posner, 2013, 5)

The transformational approach, first outlined by James MacGregor Burns, emerged as a new perspective for understanding and explaining leadership in the Late 1970´s. (Hackman & Johnson, 2013, 100)

Transformational Leadership is defined as a leadership approach that causes change in individuals and social systems. In its ideal form, it creates valuable and positive change in the followers with the end goal of developing followers into leaders. According to Deinert (2014, 1) there is strong empirical evidence that transformational leadership, more than any other leadership style, is also highly effective.

Unlike the transactional approach, Transformational Leadership is not based on a "give and take" relationship, but on the leader's personality, traits and ability to make a change through example, articulation of an energizing vision and challenging goals. (Burns, 1978). Similarly, Sashkin (2004, 194) emphasizes transformational leaders´ ability to manage organizational change. He states that transformational leaders construct cultures that foster effective management of change by defining and inculcating a belief that the organization members can affect, if not control, their environment.

Nearly everyone can cope with given tasks, but excellence will be measured when the performance goes beyond expectations. Transformational leaders possess the ability to make people exceed their performance. According to Bass (1985 b, 20, in Miner, 2005) they motivate people to do more than they had previously expected to do, by:

1. raising the level of awareness, the level of consciousness about the importance and value of the designated outcomes, and the ways of reaching them,
2. by getting people to transcend their own self-interest for the sake of the team, the organization, or larger polity, and
3. by altering people´s need level on Maslow´s hierarchy.

The appeals of the transformational leader go beyond basic human needs to satisfy a follower´s higher-level needs.
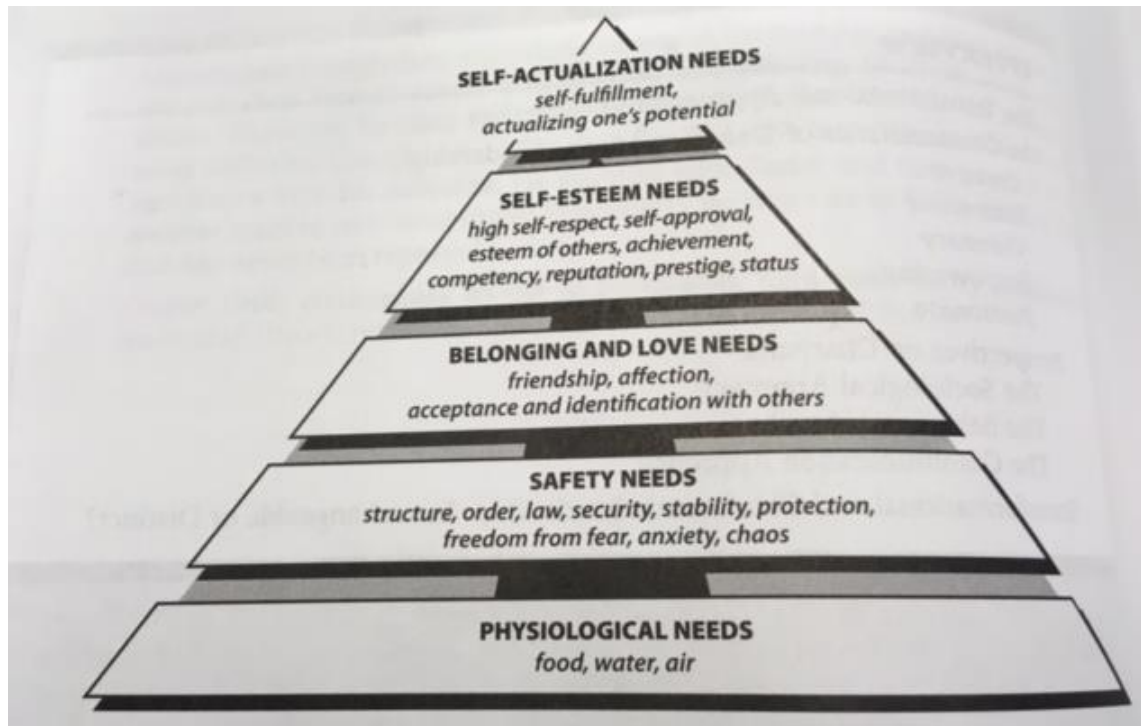
FIGURE 2. Maslow´s hierarchy for Needs. (Hackman & Johnson, 2013, 100)

2.1 The Concept of Transformational Leadership

Some leaders "transact" with followers to get things done, setting expectations and goals and providing recognition and rewards when the task is completed. (Burns et al. 2004, 1558). Transactional leadership is based on the idea, that the leader promotes compliance through rewards and punishment. Since money doesn´t play as significant role in rewarding as employers were used to, Transformational Leadership has become more and more popular leadership style. In earlier research Transactional and Transformational Leadership styles were considered as opposite directions of leadership, but later it was recognized, that they can complete each other.

FIGURE 3. Transformational vs. Transactional Leadership
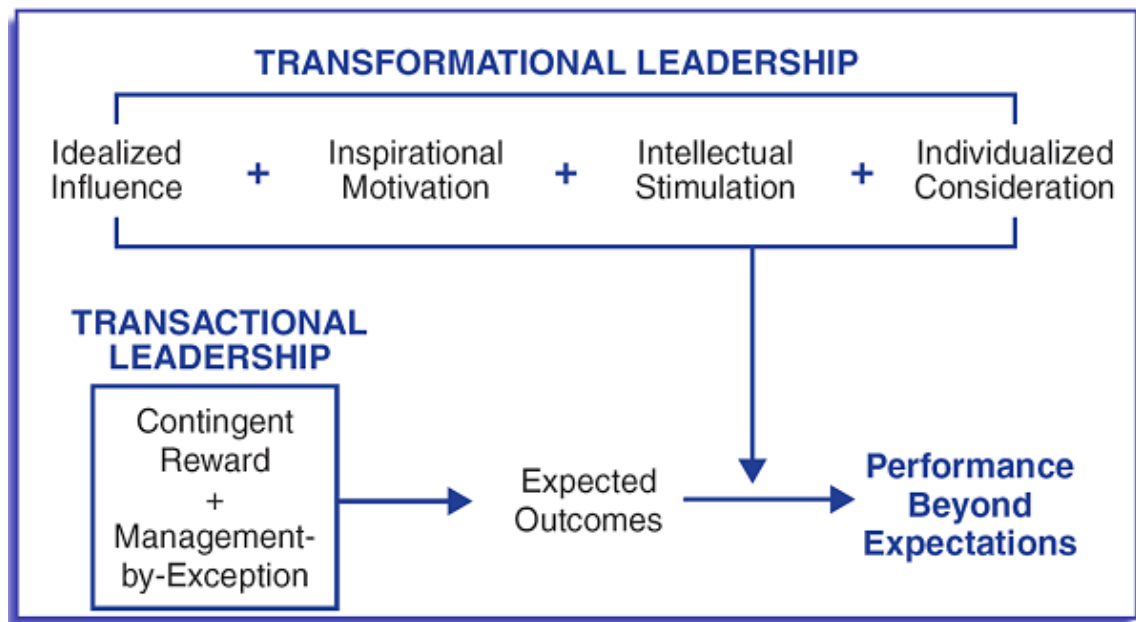(https://iedunote.com/transactional-transformational-leadership-difference)

In the present research however, the focus is only on Transformational Leadership.

The concept of transformation can be applied to several entities such as relationships, individuals, teams, communities, or political systems. (Hacker & Roberts, 2003)
Leading can be considered as transformative, when the leader shows interest in his/her followers. Transformative leaders make individuals aware of what is best for the group and makes them see, what is beneficial for the whole group in addition or instead of individual benefit. (Seeck, 2015, 355). According to Bass (1990, 21) there are one or more ways transformational leaders are able to do that:

- inspiring employees with his /her own charisma.
- paying attention to the emotional needs of his/her employees.
- stimulating employees intellectually.

Transformational Leadership is based on the idea, that the real leadership transforms processes or people involved to improve all the time. (Seeck, 2015, 354)
According to Bass & Riggio (2006, 10) Transformational Leadership raises leadership to the next level. Transformational Leadership involves inspiring followers to commit to a shared vision and goals for an organization or unit, challenging them to be innovative

problem solvers, and developing followers' leadership capacity via coaching, mentoring, and provision of both challenge and support.

Again, Transformational Leadership involves inspiring followers to commit to a shared vision and goals for an organization or unit, challenging them to be innovative problem solvers, and developing followers' leadership capacity via coaching, mentoring, and provision of both challenge and support.

Furthermore, Transformational Leadership is defined as a leadership approach that causes change in individuals and social systems. In its ideal form, it creates valuable and positive change in the followers with the end goal of developing followers into leaders.

According to Bass, the followers of a transformational leader feel trust, admiration, loyalty and respect for the leader and are willing to work harder than originally expected. These outcomes occur because the transformational leader offers followers something more than just working for self-gain; they provide followers with an inspiring mission and vision and give them an identity.

Hacker and Roberts (2003, 17) maintain, that Transformational Leadership means the comprehensive and integrated leadership capacities required of individuals, groups, or organizations traveling the road for transformation. Furthermore, integral to Transformational Leadership is the ability of the leader to bring clarity of purpose and meaning into the organization.

The personality characteristics regarded of transformational leaders include, for example, creativity, novelty, innovativeness, proneness to risk, courageousness, believing in people, value-driven, life-long learners, pragmatism, nurturance, feminine attributes and self-confidence (Bass, 1985; Tichy and Devanna, 1990; Ross and Offerman, 1997 in Hautala, 2006) Hackman and Johnson (2013, 103) share the same point of view by stating that transformational leaders are identified as creative, interactive, visionary, empowering, and passionate. They are also considered as innovative and foresighted. They keep on challenging the status quo by searching new ideas, products, and ways of performing tasks.

Furthermore, transformational leaders are the ones who stimulate and inspire followers to achieve extraordinary outcomes and, in the process, develop their own leadership capacity. They help followers grow and develop into leaders by responding to individual followers' needs by empowering them and by aligning the objectives and goals of the individual followers, the leader, the group, and the larger organization. (Bass & Riggio,

2006, 15) They also set especially high standards for behavior, establish themselves as role models by gaining the trust and confidence of their followers, state future goals, and innovate, even when the organization they lead is generally successful. (Van Knippenberg and Hogg, 2003, 91)

According to Schenk (2001, 10), transformational leader empowers followers to perform beyond expectations. Transformational leader is able to encourage followers' belief in the higher purposes of the work, which builds followers´ commitment, effort, and performance

Transformational leaders´ transactions with followers are characterized by *idealized behavior*, *inspirational motivation*, *intellectual stimulation*, and *individualized consideration*. Transformative leadership also encourages for optimism by enhancing faith in achieving goals and removing obstacles. (Manka, 2012, 98).

The four components mentioned above, sometimes referred to as 4 I´s, are outlined by Bass and Avolio (1997) accordingly:

1. Charisma (Idealized Influence); trust in his or her ability to overcome any obstacle. Ability to love oneself and feel the purpose of the own actions. Ability to communicate plausibly.
2. Inspirational Motivation; symbols and images in use to focus on efforts. Ability to commit employees via purpose.
3. Intellectual Stimulation; enables to think about old problems in new ways.
4. Individualized Consideration; coaches if needed. Ability to recognize employee´s motivation to work and to mentor in achieving the personal goals.

(Bass& Avolio, 1997, in Manka, 2012 and Miner, 2005, 367)

The present study is based on the theory of Kouzes & Posner, but an overview to the four components is well- justified.

Charismatic leaders are the "superstars" of leadership. (Hackman & Johnson, 2013, 121) Charismatic leader reduces resistance to attitude change in followers and disinhibitions of behavioral responses by arousing emotional responses towards the leader. (Miner, 2005, 365). Similarly, "Idealized influence" is defined as having transformational leaders who behave in ways that result in their being role models for their followers. These leaders are admired, respected and trusted. (Breaux, 2010)

Inspirational leadership is said to be a sub factor within charisma involving providing models for followers; emotional appeals to competitiveness, power, affiliation, altruism, and the like; and the use of persuasive words, symbols and images. (Miner, 2005, 365) It communicates high expectations; uses symbols to focus efforts and enhances understanding of goals. (Hackman & Johnson, 2005, 102)

Intellectual Stimulation is displayed when the leader helps followers to become more innovative and creative. (Bass, 1998, 3) Idealized stimulation also implies that a transformational leader seeks different perspectives when solving problems and gets others to look at those problems from a different angle as well. (Hughes, 2014, 11)

Individualized Consideration is the degree to which the leader attends to each follower´s needs, acts as a mentor or coach to the follower, and listens to the follower´s concerns. In other words, individualized consideration exhibits considerate and supportive behavior directed toward each individual subordinate; coaches and advises. (Hackman & Johnson, 2005, 102)
It´s essence is a developmental orientation. There are two aspects: One aspect is mentoring, including an enhanced self-image, security, integration of needs and visibility. The second aspect is individualization, meaning the fostering of one-on-one contact and two-way communication, attention to individual differences in needs, and delegation of responsibilities. (Miner, 2005, 365) Individualized consideration is practiced when new learning opportunities are created along with a supportive climate. According to Burns (2004, 1559) a leader must get to know followers' needs, capabilities, aspirations, and desires to challenge the followers and to develop them into leaders. To systematically and reliably transform followers into leaders, a leader needs an understanding of followers to grow their needs and capabilities to full potential.

2.2 Transformational Leadership Theory according to Kouzes & Posner

Creating high-performance workforce has become increasingly important focus for organizations. According to Kouzes and Posner (2017, 22) leadership is not about personality, it is about behaviour. They developed the concept *The Leadership Challenge* of the challenges that take place to make extraordinary things happen.

After 30 years of research they identified five common concepts in their survey. When operating at their best, leaders:

- Model the Way
- Inspire a Shared Vision
- Challenge the Process
- Enable Others to Act and
- Encourage the Heart.

FIGURE 5. Five behaviors of effective leaders by Kouzes & Posner (boundless.com)

These five behaviours of effective leaders served as variables in the survey in this present study.

2.2.1   Modeling The Way

A leader is the one who knows the way, goes the way, and shows the way.
– John C. Maxwell

A good example guides us from early childhood onwards. No-one denies the significance of a good example or a role model. Leaders serve as role models for their subordinates whether they want or not.
If a leader wants to gain commitment and achieve the highest standards, he/she has to be a model of the behavior that he/she expects from others and to model effectively he/she has to first believe in something. (Kouzes & Posner, 2012, 12)

People follow people, not words on paper, so leaders must demonstrate by action that they stand behind their values that they mean what they. (Kouzes et al. 2010, 7)
Leaders establish principles concerning the way people (constituents, peers, colleagues, and customers alike) should be treated and the way goals should be pursued. They create standards of excellence and then set an example for others to follow. (www.leadership-challenge.com) Furthermore, the leader who sets an example creates a situation making it easier to build consensus on shared values no matter what the climate. (Kouzes et al. 2010, 7)

Modeling the way is essentially earning the right and the respect to lead through direct individual involvement and action. People have to believe in messenger or they won´t pay attention to the message. (Kouzes & Posner, 2012, 13)
Leaders go first, demonstrating the attitude, competencies and enthusiasm they wish others to adopt. Exemplary leaders have to set the example by aligning their actions with shared values. (Kouzes & Posner, 2013, 19)

2.2.2   Inspiring a Shared Vision

Leaders passionately believe that they can make a difference. Through their magnetism and quiet persuasion, leaders enlist others in their dreams. They breathe life into their visions and get people to see exciting possibilities for the future. (www.leadershipchal-lenge.com) Many leaders have a vision, but great leaders are able to transfer the vision to

a shared vision. The impact of a shared vision is that employees act because they want to, instead of being asked to.

A shared vision is not an idea. It´s a force in people´s hearts, a force of impressive power. (Senge, 2006, 192) According to Kouzes et al. (2010, 8) it´s not about a statement either. It´s about a shared dream about the future. At their personal best as leaders, people envision an exciting and ennobling future and enlist others in that common vision by appealing to shared aspirations. (Kouzes, & Posner, 2013, 22)

According to Kouzes and Posner, shared vision is about being able to describe a compelling image of the future and to grasp hold of what *others* want and need. Furthermore, it is about appealing to others and showing them how their interests will be served, by knowing *their* hopes, dreams, motives and interests. (In Hesselbein, 2006, 211) In other words, leaders are able to bring their vision to everyone´s level, breathing life into other individuals´ hopes and dreams, which again, strengthens the individuals, the team, and the vision. (Kouzes et al. 2010, 8)
Senge (2006, 192) also stated that when people truly share a vision they are connected and bound together by a common aspiration.

Every organization or social movement, begins with a dream. Leaders envision the future by imagining exciting and ennobling possibilities. They want to make something happen, to change how things are and to create something new. (Kouzes & Posner, 2012, 13)

2.2.3   Challenging the Process

Every single personal-best leadership case involved a change from the status-quo. (Kouzes & Posner, 2017, 24)
Challenging the Process encourages moving "outside the boundaries" to be innovative to make change. It is about finding new ways of doing things in order to constantly improve and give a hearing for people to tell what kind of ideas they have in mind.
Exemplary leaders search for opportunities by seizing the initiative and looking outward for innovative ways to improve, and they experiment and take risks, constantly generating small wins and learning from mistakes. (Kouzes & Posner, 2013, 26)
They motivate their employees making them feel that the work they do is meaningful and providing them with the feeling of success whenever there is a reason for that.

Furthermore, they break projects, dreams and aspirations into smaller units in order to make their constituents progress. (2013, 29)

There is a strong correlation between the process of learning and the approach leaders take to make extraordinary things happen. Leaders are always learning from their errors and failures. (Kouzes & Posner, 2017, 25) They also make certain that the improvement process has a strong chance of success by helping to develop a logical plan of actions and milestones that incorporates dates, goals and accountability. (Kouzes & Posner, 2010, 8)

2.2.4 Enabling others to Act

Leaders are the ones who have the courage to go first and open a path for others to follow. – Simon Sinek

Instead of being scared of losing their own status, efficient leaders want other people to achieve the same status.
According to Kouzes and Posner leader´s work is to strengthen others by increasing self-determination and developing competence. (2012, 16) Enabling others to act is encouraging leaders to create a safe and trusting environment for people to collaborate, experiment, and engage. Leaders foster collaboration through the use of excellent interpersonal skills. They show respect for others when they consider diverse viewpoints and involve others in making decisions how to do their work and support the ultimate actions. (Kouzes & Posner, 2010, 8)

Although leaders are often considered to work alone, leadership is a team effort. Leaders understand that mutual respect is what sustains extraordinary efforts; they strive to create an atmosphere of trust and human dignity. They strengthen others, making each person feel capable and powerful. (www.leadershipchallenge.com)

When leadership is a relationship, founded on trust and confidence, people take risks, make changes, and keep organizations and movements alive. (Kouzes & Posner, 2012, 16)

2.2.5 Encouraging the Heart

Encouraging the heart is about giving people courage to move forward.
Leaders recognize contributions by showing appreciation for individual excellence. (Kouzes & Posner, 2017, 26) They bring hope and satisfaction, encouragement and support; and most of all they bring praise and appreciation. (Kouzes & Posner, 2010, 9)

Accomplishing extraordinary things in organizations is hard work. To keep hope and determination alive, leaders recognize contributions that individuals make. In every winning team, the members need to share in the rewards of their efforts, so leaders celebrate accomplishments. They make people feel like heroes. (www.leadershipchallenge.com) Genuine acts of caring uplift the spirits and draw people forward. Leader has to recognize contributions by showing appreciation for individual excellence.
Leaders also are aware that celebrations and rituals, when done with authenticity and from the heart, build a strong sense of collective identity and community spirit that can carry a group through extraordinary hard times. (Kouzes & Posner, 2012, 17)

2.3 Earlier Research

Transformational Leadership has been a very popular topic for research during past two decades. Several studies have found evidence indicating that leaders´ behavior affects employees´ well-being, performance and commitment. Avolio et al. (2002) investigated the impact of Transformational Leadership on follower development and performance. The results demonstrated that leaders in the experimental group had a more positive impact on direct followers´ development and on indirect followers´ performance than did the leaders in the control group. Barling et al. (2000) in turn examined the relationship between Transformational Leadership and emotional intelligence resulting that emotional intelligence is associated with three aspects of Transformational Leadership. Again Kelloway et al. (2007) investigated in two separate studies the relationship between transformational leadership and psychological well-being as a psychological mechanism (experiencing work as meaningful). Their conclusion based on the both executed studies was, that Transformational Leadership of supervisors exerted a positive influence on the psychological well-being of workers. Tim et al. (2011) investigated whether and how supervisor´s leadership style influences follower´s daily work engagement. They predicted that a transformational leadership style enhances employee´s work engagement through the

mediation of self-efficacy and optimism on a-day-to-day-basis. The results indicated that the daily transformational leadership related positively to employees´ daily engagement and daily levels of optimism fully mediated this relationship. Furthermore, Brandt & Laiho (2013) explored the relationship between gender and personality in transformational leadership context. According to their findings women exhibited more enabling behavior and men more challenging behavior. They demonstrated that gender and personality had an impact on leadership behavior, as viewed by managers and sub-ordinates.

3 PSYCHOLOGICAL CAPITAL

Positive psychology places emphasis on happiness, positivity and well-being.
The aim of positivity is to face, recognize and understand features of human psychological capital, such as satisfaction, values, flow, strengths, talents, capability, virtues, empowerment, emotional intelligence, optimism, hope and creativity. (Syväjärvi &Vakkala, 2012, 210) It´s a promising, evidence-based answer to gaining competitive advantage through people. (Duening, 2016, 51)

Psychological Capital is a concept based positive organizational psychology study. It consists four dimensions: hope, optimism, resilience and self-efficacy. The value of Psychological Capital as an intangible asset has been investigated and proven by several researches.

3.1 Concept of Psychological Capital

Psychological Capital is an individual positive state of development and 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 (resiliency) to attain success. (Luthans, 2007, 3.)

Duening (2016, 50) defines psychological capital simply as: "How our people are".
To same extent in Manka´s opinion (2012, 150) psychological capital replies to a question "Who are you?" It´s not only about who you are right now, but also, who you can become. Psychological capital capacities are renewable, complementary, and may even be synergistic. Individuals with high psychological capital can flexibly and adaptively "act with different capacities" to meet the dynamic demands of their jobs, while their psychological capital at the same time helps them experience higher level of competence and well-being. (Luthans, 2006, 24)

According to several researches, psychological capital is strongly related to managing your work, commitment, satisfaction and also to organizational citizenship.
It´s also linked to human being´s capabilities to utilize the support of his/her own organization. (Manka 2012, 149)

An example of how the factors of Psychological Capital interact would be that hopeful persons who possess the agency and pathways to achieve their goals will be more motivated to and capable of overcoming adversities and, thus, be more resilient. Confident persons will be able to transfer and apply their hope, optimism and resiliency to the specific tasks within specific domains of their lives. (Luthans, 2007, 19) Furthermore psychological capital is related to positive feelings (emotions), which again are related to attitude by growing excitement and reducing cynicism. (Manka, 149-150)

3.2   Dimensions of Psychological Capital

After gaining a depth of understanding to conduct a systematic analysis of the widely recognized constructs or capacities in positive psychology, hope, efficacy, resilience, and optimism were determined to be the best fit. (Luthans 2002a, Luthans et al. 2004, Luthans & Youssef 2004). These four were summarized with the acronym HERO.
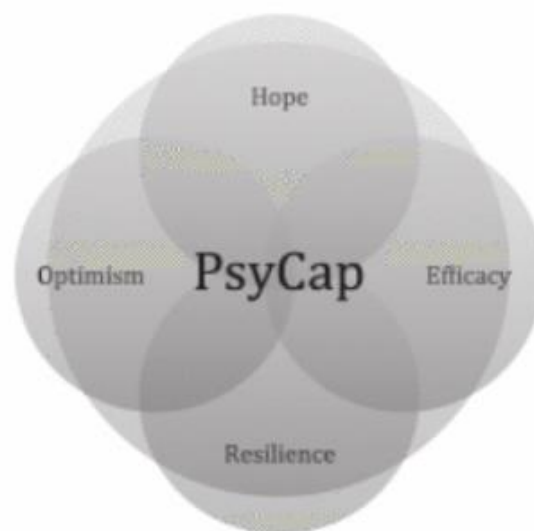

FIGURE 6. HERO (Duening, 2016, 52)

Hope, efficacy, resilience, and optimism share a sense of control, intentionality, and agentic goal pursuit. They also share the common theme of "positive appraisal of circumstances and probability for success based on motivated effort and perseverance" (Luthans et al., 2007, 550).

Optimistic individuals will view their chances of success to be high. Being confident (i.e., having high efficacy), they will intentionally choose challenging goals and be motivated to achieve them. Hope will promote the generation and pursuit of multiple pathways toward those goals, and resilience will allow for recovery from setbacks when pathways are blocked. Together, these HERO resources will help maintain an internalized sense of control and intentionality while goals are being pursued and accomplished.
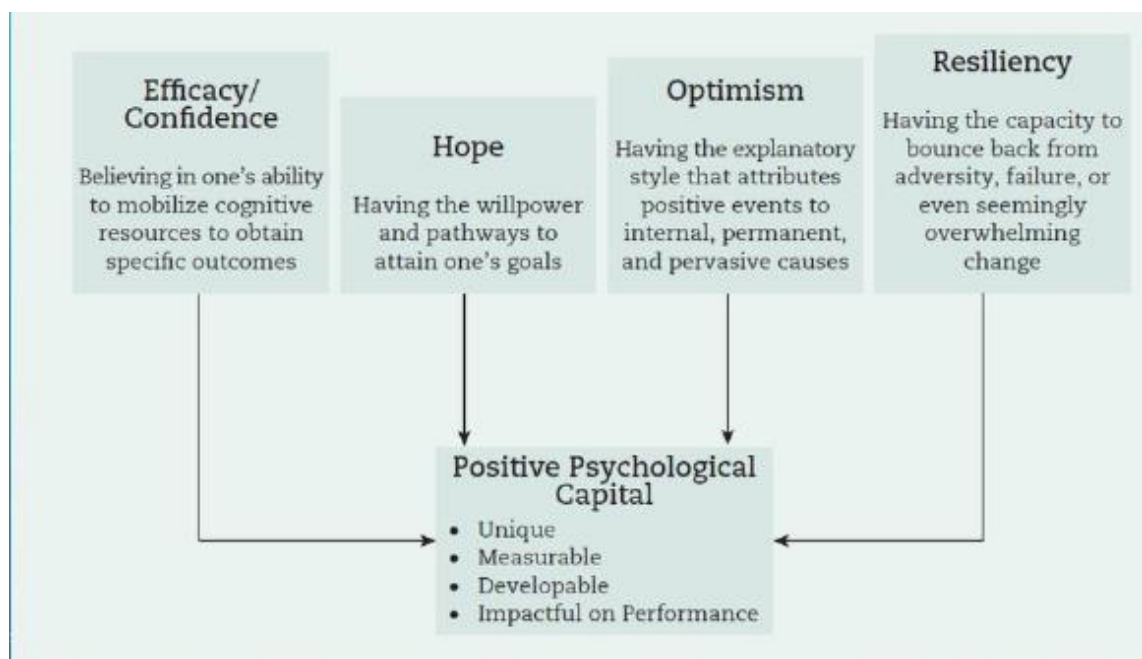
FIGURE 7. Dimensions of Positive Psychological Capital
(https://slideplayer.com/slide/12230288/)

3.2.1 Hope

Duening (2016, 52) and Snyder (1991, 287) define hope as a positive motivational state based on an interactively derived sense of successful (a) agency (goal-directed energy) and (b) pathways (planning to meet goals).
Furthermore Snyder (1994, 2 in Luthans et. al. 2010, 6) states that hope is generally considered to be an empowering way of thinking.

Hope is related to setting goals, achieving them and finding alternative solutions, when needed. If goals are not given, a hopeful person sets them him-/herself and even enjoys achieving demanding goals. Due to his/her independent and self-guided character a hopeful person needs space for him-/herself, not instructions and limits. (Manka, 2012, 154)

Snyder (2000, 2002 in Luthans et al. 2010, 6) determined, there were two components comprising hope: agency and pathways. Similarly Rauhala et al. (2016, 35) divided hope into two key elements: way-power and willpower.

Agency is the determination to pursue goals, representing an individual´s capacity or motivation to both start work on given goal and to continue trying to achieve that goal.

Pathway again is the ability to generate alternative paths to achieve goals where obstacles try to block the way. (Luthans et al. 2010, 6)

Hope and hopelessness define how a person acts when facing a disappointment or failure. According to Snyder & Lopez high-hope people embrace such self-talk agentic phrases as "I can do this" and "I am not going to be stopped". (2005, 259)

Rauhala et al. (2016, 35) consider hope similar to Optimism, with the difference of hope´s unique strategic character: hope secures that the goals will be achieved.

3.2.2 Efficacy

Self-efficacy plays a significant role in human´s actions. (Manka, 2012, 151)

Ability to evaluate own skills has an impact on ways of thinking and emotional reactions: low self-efficacy causes stress and prevents effective use of competencies. The bigger the self-efficacy, the more likely a person chooses challenging tasks and has enough strength to concentrate on managing the tasks. (Manka, 2012, 151)

Again, Duening (2016, 54-55) defines efficacy as belief in one´s ability to successfully complete a specific task. It´s malleable and positively predicts performance outcomes.

According to Bandura, the basic premise of self-efficacy theory is that peoples´ beliefs in their capabilities to produce desired effects by their own actions are the most important determinants of the behaviours people choose to engage in, and how much they persevere in their efforts in the face of obstacles and challenges. (in Snyder & Lopez, 2005, 277)

Self-efficacy also refers to beliefs in one´s capabilities to organize and execute the courses of actions required to manage prospective situations. Efficacy beliefs influence how people think, feel, motivate and act.

Self-efficacy beliefs are not simply predictions of behaviour. According to Snyder & Lopez (2005, 278) self-efficacy is not concerned with what I believe I will do but with what I believe I can do. Efficacy is considered as the individual's conviction or confidence about his or her abilities to mobilize the motivation, cognitive resources or courses of action needed to successfully execute a specific task within a given context. (Stajkovic & Luthans 1998b, in Luthans, 2006, 17).

People´s beliefs concerning their efficacy can be developed by four main forms of influence: mastery experiences, vicarious experiences, social persuasion and enhancing physical status, reducing stress and negative emotional proclivities and correct misinterpretations of bodily states. According to Bandura, for self-efficacy to be activated, a goal-related outcome must be important enough to capture attention. (in Snyder & Lopez, 2005, 262; Rauhala et al. 2016, 42)

Efficacy also creates a buffer against setbacks including negative feedback, self-doubt, criticism, and failure, which have a much smaller impact on individuals with strong efficacy. (Duening, 2016, 56)

3.2.3 Resilience

Despite optimism and hope, what if things do not work out according to plan? Resilience is the ability to recover from adversity and setbacks in a way that surpasses initial expectations, or in simplified terms, "bouncing back and beyond." (Duening, 2016, 56)

Furthermore, resilience is about being indomitable and flexible. A resilient person is always ready to start all over again after when things do not go according to plan. (Manka 2012, 161)

The word resiliency is originally from Physics and means material´s capacity to bounce back to the original form, when it is forced to bend. As Manka states, the ones surviving are not the strongest and the smartest, but the ones, who are adapting the change. (2012, 161) Also Luthans (2002, 702) utters that resilience is the capacity to rebound or bounce

back from adversity, conflict, failure or even positive events, progress and increased responsibility.

Importantly, resilience is positively associated with workplace performance outcomes in addition to improved health and relationships. It is also associated with greater job satisfaction, work happiness, and organizational commitment. (Duening, 2016, 57)

3.2.4 Optimism

Optimism is the feeling, that there are more good things in life than bad things. (Manka, 2012, 157)

Optimism is a positive explanatory style that attributes positive events to personal, permanent, and pervasive causes, and interprets negative events in terms of external, temporary, and situation-specific factors. In contrast, a pessimistic explanatory style attributes positive events to external, temporary, and situation-specific causes, and negative events to personal, permanent, and pervasive ones (Seligman 1998). In addition, Carver et al. (2009) describe optimism as a generalized positive outlook that yields global positive expectancies. In other words, optimists are people who expect good things to happen to them; pessimists are people who expect bad things to happen to them.

Furthermore Rauhala et al. (2016, 40) state that optimistic people believe, that they are adaptive and will be helped by others. Disappointments and failures are not problems but chances to grow and learn.

However, the first-order positive psychological resources of hope, efficacy, resilience, and optimism also have unique characteristics. (Luthans et al. 2007 in Luthans & Youssef & Morgan, 2017, 17.5). For example, hope, efficacy, and the positive outlook of optimism tend to be proactive in nature, whereas resilience and the explanatory style conceptualization of optimism are usually reactive and occur after a positive or negative situation has already been encountered. In addition, pathways or way-power are unique to hope. Moreover, hope and efficacy primarily share an internal focus, whereas optimism and resilience are more outwardly oriented, as external attributions and social resources are integral to those two psychological resources, respectively. Beyond these conceptual distinctions, discriminant validity of these constructs has also been established empirically in the analysis of Psychological Capital (Luthans et al. 2007)

3.3 Earlier Research on Psychological Capital

Psychological Capital is younger phenomena than Transformational Leadership. Research accumulated has demonstrated that Psychological Capital is positively related to desirable job attitudes and behaviors (Avey et al. 2011; Avey et al. 2009 etc.). Yildiz (2018) has investigated the relationship between psychological capital, personality and organizational commitment with the outcome that psychological capital positively affects affective, continuance and normative commitments.

Brandt et al. (2011) explored the relationship between personality and psychological capital across cultures. Results of the study indicated that personality and psychological capital were connected and that there were significant differences concerning the level of psychological capital in different countries.

Furthermore, Vogelgesang et al. (2014) researched the relationship between Positive Psychological Capital and Global Mindset in the context of global leadership. Through their research, they saw that positive psychological capital mediates the relationship between global mindset and three relevant global leader competencies: nonjudgmentalness, inquisitiveness and performance.

Alternatively, McMurray et al. (2009) examined the effects of leadership on organizational climate, employee psychological capital, commitment, and well-being in a religious / church-based non-profit organization. Their findings show strong positive relationships between employee ratings of their immediate supervisor´s transformational leadership and employee ratings of organizational climate, wellbeing, employee commitment and psychological capital.

4   RESEARCH METHODOLOGY

This chapter provides an overview of the research methodology and data collection. It consists of an introduction to the research method applied, the research scope and how the data was collected and analyzed.

4.1   Research Method

Questions come before methods, and what methods we use should be governed by what we are trying to find out. (Punch, 2003, 7)
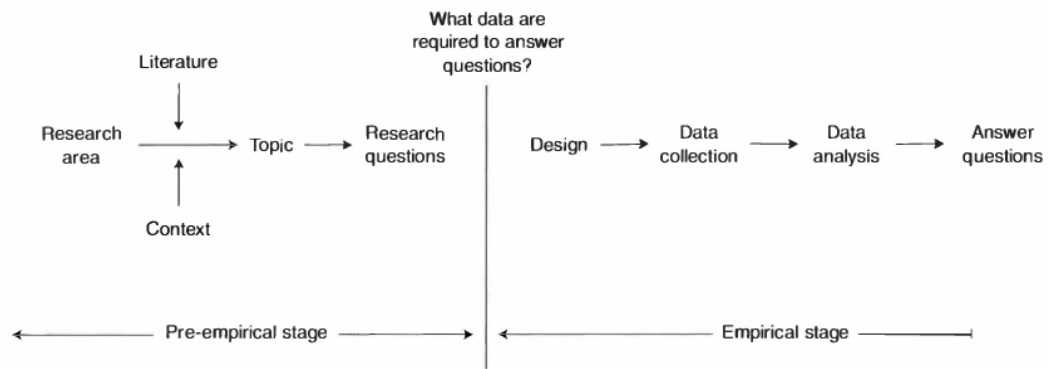
FIGURE 8. Simplified model of research. (2003, 8)

Quantitative research is best characterized by the analytical approach to the data that are generated and it always involves the numerical analysis of the data. (Partington, 2002, 101)

Quantitative research often involves a questionnaire or survey. As stated by Punch (2003, 12) reality is conceptualized as variables for the quantitative researcher, and the ultimate objective is to find out how different variables are related to each other and why.

According to Holton & Swandon (2005, 30) quantitative techniques are strong at studying large groups of people and making generalizations from the sample being studied to broader groups beyond that sample.

4.1.1   Pearson´s Correlation Analysis

Correlation analysis is a method of statistical evaluation used to study the strength of a relationship between two, numerically measured, continuous variables. This particular type of analysis is useful when a researcher wants to establish if there are possible connections between variables. (www.djs.com)

In other words, methods of correlation can be used in order to analyze the extent and the nature of relationships between different variables. (www.research-methodology.net)

Order of data	Number of groups	Quantitative method	Purpose
Nominal	One	Frequency count Π^2 'Goodness of fit'	Simple description To assess if the frequency distribution of elements in a sample conforms to that in a known population
	Several	Cross-tabulation	Simple description, broken down by category
Ordinal	One	Spearman's correlation	To assess the degree of concomitant association between two variables
Scalar, interval	One	Pearson's correlation	To assess the degree of concomitant association between two variables
or ratio	One	Principal components analysis or factor analysis	To uncover any latent, underlying structures in a set of many variables
		Confirmatory factor analysis	To confirm if a hypothesized underlying structure in a set of many variables actually exists in a data set
		Cluster analysis	To identify homogeneous sub-sets of respondents on the basis of many variables
	One (or several)	Median or mean (with standard deviation)	Measure of central tendency, and dispersion of sample scores around the mean

FIGURE 9. Descriptive statistical analytical approaches for the analysis of quantitative data.

(Partington, 2002, 107)

A correlation represents the nature and size of a linear relationship between two variables. The bigger the correlation, regardless of whether it is positive or negative, the stronger the linear association is between two variables. (Cramer, 2007, 16)

The value of correlation coefficient can be interpreted in the following manner:

If 'r' is equal to 1, then there is perfect positive correlation between two values;

If 'r' is equal to -1, then there is perfect negative correlation between two values;

If 'r' is equal to zero, then there is no correlation between the two values.

It is important to remember, that correlation doesn´t tell about causality between variables. According to Metsämuuronen (2002, 2) it is a good hint of a possible causal connection though.

In the following table the interpretation of the results is introduced.

p-value	Outcome of test	Statement
greater than 0.05	Fail to reject H_0	No evidence to reject H_0
between 0.01 and 0.05	Reject H_0 (Accept H_1)	Some evidence to reject H_0 (therefore accept H_1)
between 0.001 and 0.01	Reject H_0 (Accept H_1)	Strong evidence to reject H_0 (therefore accept H_1)
less than 0.001	Reject H_0 (Accept H_1)	Very strong evidence to reject H_0 (therefore accept H_1)

FIGURE 10. The p-value. (University of the West of England)

A correlation report can also show a second result of each test - statistical significance. In this case the significance level will tell you how likely it is that the correlations reported may be due to chance in the form of random sampling error.

Thus, for practical purposes independent variable effectively means cause, and dependent variable effectively means effect. (Punch, 2003, 6)

The conceptual framework for this is as follows:

Independent variable (IV) ⟶ Dependent variable (DV)

Figure 11. Conceptual Framework

Applied in this study, this can be expressed as following research question:

- Is there a relationship between Psychological Capital (IV) and Transformational Leadership (DV) among Finnish Managers?

4.2 Data Collection and Analysis

The major aim of the social and behavioral sciences is to develop explanations of various aspects of human behavior. One way of determining the adequacy or validity of explanations is to collect data pertinent to then and to see to what extent the data are consistent with the explanation. (Cramer, 2007, 1)

The target in quantitative research is to collect data using reliable and valid measures from a representative sample of respondents.

The primary data for this research was collected by conducting a survey. A survey is a very useful method if lot of responses are needed in a short period of time. It also requires relatively few resources compared to other methods.

According to Valli (2018, 261) a survey is the most common approach to collect data in quantitative research.

This survey is:
- small-scale
- cross-sectional
- based on the individual person as the unit of analysis
- built around a self-administrated questionnaire.

Small-Scale means that the focus is on situations where researches have limited resources and are therefore restricted in the size and scope of the survey that can be conducted. (Punch, 2003, 3) A small-scale quantitative survey studies the relationships between variables.

The survey questionnaire was composed of 33 structured questions regarding how the respondents evaluate themselves as a leader. Responses were given on a scale from 1-7. Due to confidentiality, the survey questions cannot be published. The survey was executed during spring 2018.

Cross-sectional means that the survey collects data from people at one point in time, rather than at two or more points in time. (2003, 3) Data collection was executed in a class room during spring 2018.

In this survey the self-administrated questionnaire method was used, meaning, that the researcher did not meet respondents face-to-face. Self-administrated questionnaire, also known as paper-and-pencil self-report questionnaire, is the most common method of data collection in the quantitative survey (Punch, 2003, 4).

Questionnaires embody a basic principle of quantitative research that is both its principal strength and its fundamental weakness. It only gives answers to the questions that you ask. (Partington, 2002, 102)

According to Fowler (2009, 8) a fundamental premise of the survey research process is that the answers people give can be used to accurately describe characteristic of the respondents.

4.2.1 Sample

The population in the focus of this research was composed of middle-managers working in both public sector and private sector. Individual person as the unit of analysis means that the logic of the research is to investigate how individual people vary on different variables. (Punch, 2003, 3)

There are many sampling techniques, the simplest and most theoretically rigorous being simple random sampling, in which a random sample of people is extracted from the predefined population of interest. (Partington, 2002, 104) With respect to sampling there are critical issues though:

- the choice of whether or not to use a probability sample
- the sample frame
- the size of the sample
- the sample design
- the rate of response

(Fowler, 2009, 6)

Data were collected from 205 middle-managers during spring 2018. 125 of the respondents were women, 42 men and 38 did not want to identify their gender. The gender of the respondents was assessed by referring to their first name. If the name field was left blank, the gender was not identified. Since the gender was not relevant for the present study, also responses without name were included in the study.

Gender	%	n
Female	61	125
Male	20	42
Not identified	19	38
Total	100	205

Figure 12. Gender of respondents

A survey is a cheap and quick method to collect data. This survey was conducted manually in a classroom. Positive in manual questionnaire is that multiple responses from one person can be obstructed. From Data Protection point of view, it is doubtful though.

In accordance with Fowler (2009, 8-10) surveys are designed to produce statistics about a target population. It is important to note that we only have one sample to generalize and that sample can and will differ slightly from what it would look like if mirrored the distribution of characteristics in the population perfectly

4.2.2 Reliability of the Data

Reliability means stability of response. Would the same respondents answer the same questions in the same way if they were asked again? (Punch, 2003, X) If they would, our questions provide data with high reliability.
Reliability refers to the ability of a measurement instrument to produce the same answer in the same circumstances, time after time. (Partington, 2002, 102)

In a survey, in which the questions are related to subjective evaluation of respondent him-/herself, the response can be affected by external factors like feelings or circumstances. The size of the sample (n=205) though, is big enough to represent this population.

The simplest way to communicate the right answering method is to provide the respondents with a list of acceptable responses. (Fowler, 1995, 89). In this survey, a 33-question

survey was devised. Each question was a 7-point Likert-item. When measuring a hypo-
thetical construct, it is advisable not to use a single-item. Single-item measures are less
reliable than multi-item measures (scales) and are also less valid. (Parlington, 2002, 103)

The managers evaluated themselves. They did not receive any reward for participation.
All the data regarding this research is confidential and the responses were deleted imme-
diately after the analysis. The responses were not used for any other purposes.

In order to produce the statistics of the reliability Cronbach´s alpha was used.
Cronbach´s alpha is the most common measure of internal consistency ("reliability"). It´s
most commonly used when you have multiple Likert questions in a survey/questionnaire
that form a scale and you wish to determine if the scale is reliable. (www.laerdstatis-
tic.com)
The results of Cronbach´s alpha indicated in most of the dimensions high level of relia-
bility, some alphas being rather modest though (e.g. challenging, modeling, will).

Dimension	Cronbach´s Alpha (α)
Challenging	0.398
Sharing the Vision	0.571
Enabling others to act	0.631
Modeling the Way	0.375
Rewarding	0.850
Self-confidence	0.896
Goal-oriented	0.846
Relaxed	0.777
Optimistic about the future	0.749
Will	0.309
Positiveness	0.422

Figure 11. Cronbach´s alpha

5 RESULTS

The results of the analysis of the survey questionnaire will be presented in this chapter. The investigation is aimed to show the possible association between Psychological Capital and Transformational Leadership. Like mentioned in the previous chapter, the correlation doesn´t tell about causality. It only indicates if the variables are related to each other.

The obtained data were analyzed by using Pearson´s correlation test. The Pearson´s correlation coefficient is the most popular coefficient of correlation. (Holopainen & Pulkkinen, 2015, 233) It is defined as covariance of the two variables divided by the product of their standard deviation. A value of zero indicates that there is no association between the two variables. A value greater than zero indicates a positive association; as the value of one variable increases, so does the value of the other variable. A value less than zero indicates a negative association; as the value of one variable increases, the value of the other variable decreases.

			Challenging the Process (1,11,15)	Sharing the Vision (2,7,19)	Enabling others to act (8,20,21,22,23,25)	Modeling the Way (3,12,14,18)	Rewarding (5,10)
1.Psychological Capital: Efficacy	PsyCap Efficacy(18,19,20,21,22,23,24,25)	Pearson Correlation	,572	,142	,190	,185	,187
		Sig. (2-tailed)	0,000	0,042	0,007	0,008	0,007
		N	205	205	202	205	205
2. Psychological Capital: Hope Part A	PsyCap Goal-oriented(26,27,28)	Pearson Correlation	,302	,240	0,032	,187	,214
		Sig. (2-tailed)	0,000	0,001	0,655	0,007	0,002
		N	205	205	202	205	205
3.Psychological Capital Resilience Part A	PsyCap Resilience Relaxation (12,13,14)	Pearson Correlation	,353	-0,028	-0,002	-0,004	0,062
		Sig. (2-tailed)	0,000	0,693	0,377	0,353	0,374
		N	206	206	203	206	206
2. Psychological Capital: Hope Part B	PsyCap Optimistic about the future(6,7,8,9)	Pearson Correlation	,308	0,055	0,102	0,025	,198
		Sig. (2-tailed)	0,000	0,436	0,150	0,721	0,004
		N	205	205	202	205	205
3.Psychological Capital Resilience Part B	PsyCap Will (1,2,3)	Pearson Correlation	,239	0,061	0,071	,165	0,132
		Sig. (2-tailed)	0,001	0,388	0,314	0,018	0,058
		N	206	206	203	206	206
4. Psychological Capital Optimism	PsyCap Optimism(11,15,16)	Pearson Correlation	,260	0,009	,291	,223	,215
		Sig. (2-tailed)	0,000	0,896	0,000	0,001	0,002
		N	206	206	203	206	206

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

FIGURE 12. Results of the survey.

The independent variables on X-axis are Challenging the process, Sharing the vision, Enabling others to act, Modeling the way and Rewarding.

Dependent variable, Psychological Capital has four dimensions: Efficacy, Hope, Resilience and Optimism. They are situated on y-axis of the table.

Based on the Pearson´s correlation the results of the present study show that Efficacy correlates with all dimensions of Transformational Leadership. As defined earlier, Efficacy means the ability to produce a desired amount of a desired effect. Efficacious individuals are motivated, persistent, goal-directed, resilient and clear thinkers under pressure. (Barling et al. 2000, 157-161; Mc Gormick et al. 2002, 35)

The strongest correlation is between efficacy and challenging the process (,572, sig. 0,000). Also the literature supports the results; Regarding Kouzes and Posner (2017, 1298) there is a clear connection between challenge and being effective leader. Meeting new challenges always requires things to be differently than they currently are. With regard to the score the stronger the efficacy the more encouraged the leader is in searching for opportunities by seizing the initiative and by looking outward for innovative ways to improve.

The scores regarding Efficacy in association with Inspiring a Shared Vision (,142, sig. 0,042), Enabling others to act (,190, sig. 0,007), Modeling the way (,185, sig. 0,008) and Rewarding (,187, sig. 0,007) also indicate positive correlation. As far as present results are concerned an efficacious leader is capable of envisioning a positive future, strengthening others by developing competencies, speaking and acting on behalf of the whole organization and providing positive reinforcement for achieved results by rewarding employees.

Hope was divided into two categories: Goal-Directed Energy (A) and Optimistic about the future (B). In terms of Hope (A) the results indicate the strongest correlation with Challenging the process (,302, sig. 0,000). The scores can be considered as significant also in association with Sharing the Vision (,240, sig. 0,001), Modeling the Way (,187, sig. 0,007) and Rewarding (,214, sig. 0,002).

Between Goal-Directed and Enabling others to act there is a slight positive correlation (0,032) but that is not significant (sig. 0,655).

Also Resilience was splitted into two sub-groups: Relaxation (A) and Will (B).

As the results show, there was a significant positive correlation only between Relaxation and challenging the Process (,353, sig. 0,000). In accordance to Sharing the Vision (-0,028, sig. 0,693), Enabling others to Act (-0,002, sig. 0,977) and Modeling the Way (-0,04, sig. 0,959) the scores indicated low negative Correlation. These results were not considered significant though. Between relaxation and Rewarding there was a very low positive correlation with no significance (0,062, sig. 0,374).

Hope, part B, Optimistic about the future correlates the strongest with Challenging the Process (,308). The correlation is also statistically significant (0,000). The results also indicate positive correlation between Optimistic about the future and Rewarding (,198; sig. 0,004). Leaders being capable of producing plausible routes to desired goals in this respect also look outward for innovative ways to improve and celebrate the success also during the process.

The figures on table 1 also show slight positive correlation between Optimistic about the future and Sharing the Vision (0,055); Enabling others to act (0,102) and Modeling the Way (0,025), but these values were not considered as statistically significant.

Just like the other variables so far, also Resilience Part B, Willpower correlated the strongest with Challenging (,239; sig. 0,001). The results also indicated positive correlation between willpower and Modeling the way (,165; sig. 0,018). With Sharing the Vision (0,061), Enabling Others to act (0,071) and Rewarding (0,132) the results show only a weak positive correlation without statistical significance.

Optimism has a recognized performance impact on many work-related settings. Referring to results optimism correlates with Challenging the Process (,260; sig. 0,000); Enabling others to act (,291; sig.0,000); Modeling the Way (,223; sig. 0,001) and Rewarding (,215; sig. 0,002). Only with Inspiring a shared vision the slight positive Correlation did not have statistical significance. (0,009, sig. 0,896).

6   DISCUSSION

Leadership in the 21st century has comprehensively come of age. Where once leaders were aloof decision-makers, today they are dedicated collaborators and networkers whose role is to give power to their team rather than wield power to their own ends. (Research Report, 2006)

The aim of the present study was to investigate whether there is a relationship between Transformational Leadership and Psychological Capital. As demonstrated in accumulated research, over the past decade Psychological Capital has indicated positive impact on employees´ attitudes and behaviors and negative impact on work-related stress. Similarly, the studies of Transformational Leadership have shown that Transformational Leadership has positive influence on organizational outcome and personal outcomes of the follower. Furthermore, transformational leaders are able to inspire their followers and make them perform beyond expectations.

Utilizing a survey, which was conducted by 205 Finnish middle-managers, the present study found that there is a strong positive correlation between certain attributes of Psychological Capital and dimensions of Transformational Leadership. Earlier research has shown that self-efficacy can be increased through Transformational Leadership. Based on the survey results of the present study, efficacy indicated strong correlation with all dimensions of Transformational Leadership: modeling the way, enabling others to act, inspiring a shared vision, challenging the process and encouraging the heart. The literature also supports the results from both perspectives: leader´s level of self-efficacy and follower´s one. Efficacy is defined as confidence to take on and put in the necessary effort to succeed at challenging tasks. That confidence is needed in all dimensions of Transformational Leadership. The messenger needs to be convincing to be paid attention to (modeling the way). Furthermore, inspiring a shared vision consists of wanting to make something happen, to change how things are and to create something new. Without high level of self-efficacy these goals would be more difficult to reach. Again, self-efficacy is demanded when leaders try to encourage followers to move outside the boundaries to be innovative to make change (challenging the process). As defined in earlier chapters, enabling others to act is encouraging leaders to create a safe and trusting environment for people to collaborate, experiment, and engage. Lack of self-confidence would make that

goal also more complicated and in that respect the literature supports the survey results as well.

Goal-directed energy and optimistic about the future served as variables for hope. Hope can be described as a positive motivational state that contributes to leaders and followers expending the requisite energy necessary to pursue and attain organizational goals. These results are consistent with previous research. According to Snyder & Shorey (in Peterson & Byron 2009, 4) hopeful leaders are more likely to believe that they can realize change and develop strategies to effect change. Due to ability to meet organizational goals the followers of hopeful leaders are likely to perceive strong ability on the part of the leaders. Also hope indicated correlation with all dimensions of Transformational Leadership, even though not all correlations were considered as significant. Based on the literature, hope is about persevering toward goals and, when necessary, redirecting paths to goals in order to succeed. Again, that can be reflected to the results which show the highest correlation with challenging the process. Challenging the process is about finding new ways of doing things in order to constantly improve and give a hearing for people to tell what kind of ideas they have in mind, which in other words correspond to the definition of hope.

Also resilience consisted in this study of two parts: Relaxation and Willpower. The positive outcomes of resilience in association with job satisfaction, happiness, commitment etc. have been demonstrated in several studies. Characteristic for resilience is that when beset by problems and adversity, resilient individuals are sustaining and bouncing back to attain success. What comes to resilience, results of this study indicated significant correlation only between challenging the process. As referred in the previous chapters of this thesis, resilience is about finding new ways of doing things in order to constantly improve and give a hearing for people to tell what kind of ideas they have in mind. When facing obstacles, resilient people find ways of removing them. Contradictory to other results so far, the results in accordance to sharing the vision, enabling others to act and modeling the way demonstrated negative correlation with Relaxation (Resilience, part A), which could not be considered significant though. Based on the results and literature that could be interpret, the more relaxed the individual, the less he/she wants to make things happen and change things. Since the results were not significant, these presumptions are not worth of being paid any further attention to.

Willpower (Resilience Part B) is defined as the ability to start, continue, or stop doing something. The results indicated positive, significant correlation with challenging the

Process and Modeling the Way. In this respect, the higher the willpower, the more capable the leader is in leading through direct individual involvement and action and encouraging subordinates in moving outside the boundaries to be innovative to make change.

Earlier research support these results. According to Tims et al. (2011, 121-131) one possible reason why transformational leaders have a positive impact on their followers´ engagement is that leader´s inspiration and stimulation may enhance employees´ personal resources. Personal resources again are generally linked to resiliency.

Optimistic individuals view their chances of success high. According to current findings Optimism correlates with all dimensions of Transformational Leadership, having no statistical significance with Shared Vision, though. The literature and earlier research support these results, since several studies suggest a strong link between optimism and different positive outcomes. Tims et al. (2011, 121-131) demonstrate that employees become more engaged to their work when their supervisor is able to boost their optimism through his/her transformational leadership style. In this respect, the relationship between transformational leadership and optimism can be recognized.

Since there is such a significant correlation between different characteristic of Psychological Capital and dimensions of Transformational Leadership we can come to the conclusion, that there is a relationship between Psychological Capital and Transformational Leadership. The findings of the present study aim to serve as guidance in terms that certain dimensions of Psychological Capital could be cultivated by leaders when developing leadership skills toward Transformational leadership style.

Further research related to these outcomes and Transformational Leadership as such may provide more insight into the relationship between Psychological Capital and Transformational Leadership. It would also be interesting to execute a similar research including the responses from the sub-ordinates to the survey. Furthermore, the absence of relationship between some of the researched variables could bear further investigation. Since the present study was female-dominated (125 vs.42) further investigation could be suggested also related to the differences between female and male leaders. As Luthans & Youssef-Morgan (2017, 17.21) state Psychological Capital offers an evidence-based approach for those who truly believe in importance of human capital and are willing to act upon their beliefs by developing their own and their employees´ positivity. Interesting topics for further research remain to be investigated in the future.

Leadership plays a significant role not only in tangible, but also in intangible assets of organizations. It is, in fact, one of the intangible assets which contribute most to competitive advantage. Therefore, it is important to note, that leadership skills can be developed and everyone can become a good leader by improving their skills.

REFERENCES

Alvesson, Mats. (2013). Understanding Organizational Culture. 2nd Edition. Sage Publications Ltd.

Avey, James. B., Luthans, Fred, Jensen, S. (2009) Psychological Capital: A positive resource for combating stress and turnover. Human Resource Management, Volume 48. Issue 5. 677-693

Avey, James, B., Reichard, Rebecca, J., Luthans, Fred & Mhatre, Ketan, H. (2011) Meta-Analysis of the Impact of The Positive Psychological Capital on Employee Attitudes, Behaviors and Performance. Human Resource Development Quarterly 22:2. 127-152.

Barling, Julian; Slater, Frank & Kelloway, Kevin, E. (2000), Leadership & Organization Development Journal 21/3, MCB University Press.

Bass, Bernard.M., & Avolio, B.J. (1993). Transformational leadership: A response to critiques. In M. M. Chemmers, & R. Ammons, *Leadership theory and research: Perspectives and directions.* Los Angeles: San Diego: Academic Press. 49-80.

Bass, Bernard.M. & Riggio, Ronald.E. (2006) Transformational Leadership. Second edition. Lawrence Erlbaum Associates Publishers.

Bass, Bernard M. (1999) Two Decades of Research and Development in Transformational Leadership. European Journal of Work and Organizational Psychology. 1999, 8.(1) 9-32.

Brandt, Tiina, Gomes, Jorge & Boyanova, Diana. (2011) Personality and Psychological Capital as indicators of future job success. A multicultural comparison. Finnish Journal of Business Economics. Issue 3. 263-289.

Burns, James MacGregor, Sorenson, Georgia Jones; Goethals, George R. (2004). Encyclopedia of Leadership. Sage Publications, Inc.

Cramer, Duncan (2007). Advanced Quantitative Data Analysis. Mc Graw-Hill Education.

Deinert, Anika; Homan, Astrid C, Boerc Diana, Voelpel Sven C. & Gutermann, Daniela. (2015) Transformational leadership sub-dimensions and their link to leaders' personality and performance. The Leadership quarterly. Elsevier.

Dubrin, A.J. (2010). Principles of Leadership (6th ed.). Sydney:South-Western.

Duening, Thomas N. (2016) Leading the Positive Organization: Actions, Tools, and Processes Business Expert Press.

Dvir, Taly; Eden, Dov; Avolio, Bruce J. & Shamir Boas. Impact on Transformational Leadership on Follower Development and Performance: A Field Experiment. Academy of Management Journal, 2002, Vol. 45, No. 4. 735-744

Furkan, B., Kara, E., Tascan, E., & Avsalli, H. (2010). The Effects of Leadership On Job Satisfaction (Visionary Leadership, Transformational leadership, Transactional leadership). *3rd International Symposium on Sustainable Development*. 220-226.

Givens, Roger, J.(2008). Transformational Leadership: The Impact on Organizational and Personal Outcomes. Emerging Leadership Journeys. 1 (1). 4-24

Hacker, Stephen & Roberts, Tammy. (2003). Transformational Leadership: Creating Organizations of Meaning. ASQ Quality Press.

Hackman, Michael. Z. & Johnson, Craig.E. (2013.) Leadership. A communication perspective. Sixth edition. Waveland Press, Inc.

Hautala, T.M. (2006). The relationship between personality and transformational leadership. Journal of Management Development.

Hautala, Tiina, M. (2005) Personality and Transformational Leadership. Perspectives of Subordinates and Leaders. Acta Vasaensia. No.145. Business Administration 61. Management and Organization.

Hesselbein, Frances; Goldsmith, Marshall. (2006). The Leader of the Future 2: Visions, Strategies, and Practises for the New Era. Leader to Leader Institute.

Holton, Elwood F. & Swanson, Richard A. (2005) Research in Organizations: Foundations and Methods in Inquiry. Berret-Koehler Publishers, Inc.

Hughes, Tawney A. (2014) Idealizes, Inspirational and Intellectual Leaders in the Social Sector: Transformational Leadership and the Kravis Prize. CMC Senior Theses. Paper 906.

Kelloway, McKee, Arnold, Turner and Barling (2007) Journal of Occupational Health Psychology 2007, Vol 12. No 3. 193-203.

Kouzes, James M.; Posner, Barry Z. (2013) Great Leadership Creates Great Workplaces. John Wiley & Sons, Incorporated

Kouzes, James & Posner, Barry. (2012) The Leadership Challenge Workbook. Third edition. Jossey-Bass.

Kniivilä, Sonja; Lindblom-Ylänne, Sari; Mäntynen, Anne. (2007). Tiede ja Teksti – Tehoa ja taitoa tutkielman kirjoittamiseen. WSOY

Leaders on leadership – an intimate view of life at the top of Europe plc Development Dimensions International (DDI), Research Report, January 2006

Luthans, Fred (2007). Psychological Capital. Developing the Human Competitive Edge. Oxford University Press

Luthans, Fred; Avey, James B.; Avolio, Bruce J.; Peterson, Suzanne. (2010). The Development and Resulting Performance. Impact of Positive Psychological Capital. DigitalCommons@University of Nebraska – Lincoln.

Luthans, Fred & Youssef-Morgan, Carolyn M. (2017) Psychological Capital: An Evidence-Based Positive Approach. The Annual Review of Organizational Psychology and Organizational Behavior. 4:17.1-17.28.

Manka, Marja-Liisa. (2012) Työn ilo. SanomaPro

McMurray, A.J., Pirola-Merlo, A., Sarros, J.C. & Islam, M.M. (2009) Leadership, climate, psychological capital, commitment, and well-being in a non-profit organization. Leadership & Organization Development Journal. Vol.31. No.5. 2010. pp 436-457.

Miner, John, B. (2005). Organizational Behavior 1. Essential theories of Motivation and Leadership. Routledge.

Oxford Leadership journal, 1 (2) (2010)
https://www.annualreviews.org/doi/full/10.1146/annurev-orgpsych-032516-113324

Partington, David. (2002) Essential Skills for Management Research. Cranfield School of Management.

Perttula, Juha. & Syväjärvi Antti. (2012) Johtamisen psykologia. Ihmisten johtaminen muuttuvassa työelämässä. PS-Kustannus.

Punch, Keith (2003). Survey Research: The Basics. Sage Publishing.

Pyöriä, Pasi (2012). Työhyvinvointi ja Organisaation menestys. Gaudeamus

Rauhala, Ilona & Leppänen, Makke & Heikkilä, Anna-Mari. (2016) Pääasia. Organisaation psykologinen pääoma. Talentum Pro.

Riggio, Ronald. (2017) .Introduction to industrial / organizational Psychology. Routledge.

Senge, Peter.M. (2006). The Fifth Discipline. Random House.

Snyder, C.R. & Lopez, Shane.J. (2005). Handbook of Positive Psychology. Oxford University Press.

Tims, Maria, Bakker, Arnold B. & Xanthopoulou, Despoina. (2011). Do Transformational Leaders enhance their followers´ daily work engagement? The Leadership Quarterly 22. Elsevier.

Uusitalo, Hannu. (2001). Tiede, tutkimus ja tutkielma. Johdatus tutkielman maailmaan. WSOY

Valli, Rainer. (2018). Ikkunoita tutkimusmetodeihin 2. Näkökulmia aloittelevalle tutkijalle tutkimuksen teoreettisiin lähtökohtiin ja analyysimenetelmiin. PS-Kustannus.

Van Knippenberg, Daan & Hogg, Michael A., Leadership and Power. Identity Processes in Groups and Organizations. 2003. Sage Publications.

Vogelgesang, Gretchen, Clapp-Smith,Rachel & Osland, Joyce. (2014) The Relationship between Positive Psychological Capital and Global Mindset in the Context of Global Leadership. Journal of Leadership and Organizational Studies. Vol.21. Issue 2.

Yildiz, Ebru. (2018) A Case Study on Relationships between Psychological Capital, Personality and Organizational Commitment. Internatinal Journal of Business Administration. Vol.9. No.2

https://www.ted.com/talks/simon_sinek_how_great_leaders_inspire_action?referrer=playlist-how_leaders_inspire

https://www.ted.com/talks/roselinde_torres_what_it_takes_to_be_a_great_leader?referrer=playlist-how_leaders_inspire&language=en

Kauppalehti Optio, 12/2018

Sinek, Simon. Linkedin. Read 1.10.2018

www.leadershipchallenge.com

http://www.emergeuk.com/personal-effectiveness/modelling-the-way-what-does-this-actually-mean/

https://www.frontiersin.org/articles/10.3389/fpsyg.2017.01776/full

Influence of Leaders´ Psychological Capital on Their Followers: Multilevel Mediation

Effect of Organizational Identification. Read 8.10.2018.