**Manager Psychological Capital, Unit Service Climate, and Customer Satisfaction: Toward a Multilevel Model**

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**ABSTRACT**

Customer satisfaction is critical for organizational success. Research supports a positive relationship between service climate and customer satisfaction. However, research is unlimited on the antecedents of service climate, particularly manager characteristics and psychological resources. This study seeks to fill this gap, by examining the relationship between managers’ psychological capital (PsyCap), their units’ service climate, and their customers’ satisfaction. We utilize the underlying theoretical mechanisms for each of these constructs to draw linkages between them. We propose that managers’ PsyCap can promote their units’ service climate, and in turn customer satisfaction. Implications and future directions for research and practice of this holistic and multilevel model are also presented, with an emphasis on managers’ PsyCap development.

 **MANAGER PSYCHOLOGICAL CAPITAL, UNIT SERVICE CLIMATE, AND CUSTOMER SATISFACTION**

**Toward a Multilevel Model**

Customer satisfaction is a vital factor in organizational success and competitiveness. Research supports a positive relationship between service climate and customer satisfaction (Schneider & Bowen, 1995; Schneider, White, & Paul, 1998). However, it is only recently that the focus has started to shift to the antecedents of service climate. Schneider, Erhart, Mayer, Saltz, and Niles-Jolly (2005) argued that manager behavior is an important antecedent to service climate, because it sends a direct message to the employees about the importance of customer service. Additionally, to-date there has been no research linking managers’ positivity in general, and specifically their psychological strengths and resources, to the service climate of their units, and ultimately customer satisfaction.

This study seeks to fill this gap, by examining the relationship between managers’ psychological capital (PsyCap), their units’ service climate, and their customers’ satisfaction. We propose that managers’ PsyCap embodies important positive cognitive, affective, and social mechanisms that can promote their employees’ perceptions of service climate, which in turn can trickle down to their customers, increasing their levels of satisfaction. This holistic multilevel perspective is proposed as necessary for understanding and promoting customer satisfaction. Figure 1 outlines the proposed theoretical model.

**FIGURE 1
THEORETICAL MODEL**

Customer

Satisfaction

Unit

Service

Climate

Manager

Psychological

Capital

 **Psychological Capital (PsyCap)**

PsyCap is defined as “an individual’s positive psychological 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, Youssef-Morgan, & Avolio, 2015, p. 2). As a multi-dimensional, higher order, construct, PsyCap resources work together in synergy, as well as individually (Avey, Reichard, Luthans, & Mhatre, 2011; Hobfoll, 2002; Luthans et al., 2015; Luthans, Avolio, Avey, & Norman, 2007).

To be included in PsyCap, psychological resources must have a positive impact on attitudes, behaviors, and performance. Also they must be grounded in theory and research, and are open to development, and measurable (Luthans, 2002a; Luthans, 2002b). Hope, Efficacy, Resilience, and Optimism, referred to as the “HERO within” (Luthans, 2012), meet the above criteria. They make unique theoretical and measurable contributions to the “higher order core construct of PsyCap, representing one’s positive appraisal of circumstances and probability for success based on motivated effort and perseverance” (Luthans et al., 2007, p. 550).

PsyCap goes beyond traditional forms of tangible capital, and supplements “what we know” (human capital) and “who we know” (social capital). It deals with “who you are” and “who you can become” (Luthans & Youssef, 2004; Luthans et al., 2015; Youssef & Luthans, 2012). The convergent and discriminant validity of hope, efficacy, resilience, and optimism justify the synergistic contribution of each resource to sum of the whole. Together they are a better predictor of job satisfaction and performance than each individual component (Luthans et al., 2007), PsyCap has also been empirically shown to add value to predicting desirable work attitudes and behaviors, even more than established positive traits such as personality dimensions, self-evaluations, and demographics (Avey, Luthans, & Youssef, 2010). The components of PsyCap work together to increase the probability of success. Resembling the notion of “resource caravans” (Hobfoll, 2002), PsyCap acts as a repertoire of psychological resources that can be drawn upon over and over again.

Positivity and PsyCap have gained substantial interest in both psychology and management, as a response to the overwhelming emphasis on negative constructs and remedial interventions. The call for a shift toward also understanding the unique characteristics and mechanisms that lead to excellence and optimal functioning (Seligman & Csikszentmihalyi, 2000; Luthans, 2002) has promoted exponential growth in positively oriented research and practice. Balancing positive and negative perspectives is critical for promoting this optimal functioning (Cameron, 2008).

**PsyCap Dimensions**

Hope is defined as “a positive motivational state that is based on an interactively derived sense of successful (1) agency (goal-directed energy) and (2) pathways (planning to meet goals)” (Snyder, Irving, & Anderson, 1991, p. 287). Agency refers to determination in meeting present and future goals (Snyder, Harris et al., 1991), which manifests itself as goal-directed energy that sustains movement toward the goals of one’s life. Pathways refer to the ability to cognitively analyze the situation in order to generate alternative paths to meet goals. Developing multiple pathways to reach a goal when obstacles are confronted allows the pursuit of the goal to continue, even when circumstances become challenging. These two components are reciprocal, additive, and positively related whereas hope reflects the cumulative level of perceived agency and pathways. Hope has an extensive theoretical foundation, reliable and valid measurements, potential for development (Snyder, 2000) and is associated with positive work attitudes and performance (Peterson & Byron, 2008; Youssef & Luthans, 2007). Developing hope within the workplace is particularly useful in increasing employees’ self-motivation, autonomy, and ability to conceive contingency actions (Luthans et al., 2015).

 Efficacy is defined as “one’s belief about his or her ability to mobilize the motivation, cognitive resources, and courses of action necessary to execute a specific action within a given context” (Stajkovic & Luthans, 1998b, p. 66). It is the probability of success that one assigns to a particular task (Bandura, 1997) that demonstrates their level of confidence (Luthans et al., 2015). It draws from Bandura’s (1997) widely recognized social cognitive theory and is one of the strongest predictors of performance at work (Stajkovic & Luthans, 1998a). It has reliable and valid measures and is open to development.

Resilience is defined as “the developable capacity to rebound or bounce back from adversity, conflict, and failure” (Luthans, 2002a, p. 702), and draws from clinical and developmental psychology. What sets it apart from the other psychological resources in PsyCap is its reactive functioning. After encountering challenges and setbacks, those with high levels of resilience bounce back, learn and grow. It has been shown to be related to job satisfaction, job performance (Luthans et al., 2007: Luthans, Avolio, Walumbwa, & Li, 2005), commitment and happiness at work (Youssef & Luthans, 2007).

Optimism is both a generalized expectancy (Carver, Scheier, & Mens, 2016) and an attributional style. Employees who demonstrate optimism show the ability to tie positive events to personal, permanent and pervasive causes, and explain negative events as external, temporary and situation-specific (Luthans et al., 2015; Seligman, 1998). It can be learned and developed, has reliable and valid measures, and has a recognized performance impact within various contexts (Seligman, 1998; Youssef & Luthans, 2007).

Lyubomirsky, Sheldon, & Schkade (2005) estimate that 40 percent of our positivity is affected by intentional actions, while 50 percent is dictated by enduring traits (genetics and hard-wired characteristics), and only 10 percent is determined by situational circumstances. PsyCap fits within the 40 percent that is within one’s control because it is malleable, flexible, and can be developed through recognized approaches and evidence-based interventions. PsyCap’s biggest differentiator from other positive characteristics is that it is more malleable in comparison to more genetically determined traits. They focus primarily on building strengths, rather than fixing or healing deficiencies. Many positive psychological interventions have been successfully implemented in various life domains (Lyubomirsky, King, & Diener, 2005; Seligman, Steen, Park, & Peterson, 2005; Sin & Lyubomirsky, 2009), including work (Dello Russo & Stoykova, 2015; Luthans, B. et al., 2014; Luthans, Avey, Avolio, Norman, & Combs, 2006; Luthans, Avey, & Patera, 2008). These interventions are described as “intentional activities that aim to cultivate positive feelings, behaviors, or cognitions” (Sin & Lyubomirsky, 2009, p. 468). PsyCap can be developed through multiple recognized approaches (Demerouti, Erik, Snelder, & Wild, 2011; Ertosun, Erdil, Deniz, & Alpkan, 2015), and given the synergistic nature of PsyCap, improving one individual resource can contribute to the development of the other resources.

Research has linked PsyCap to a number of attitudes, behaviors, and performance outcomes at the individual level of analysis (Avey et al., 2011). Also, leader PsyCap has been shown to positively influence follower PsyCap, which is positively associated to follower job performance (Walumbwa, Peterson, Avolio, Hartnell, 2010; Story, Youssef, Luthans, Barbuto, & Bovaird, 2013). PsyCap and its impact has also been explored at the team and organizational levels of analysis (Clapp-Smith, Vogelgesang, & Avey, 2009; McKenny, Short, & Payne, 2013; Peterson & Zhang, 2011).

**PsyCap Mechanisms**

PsyCap operates through cognitive, affective, and social mechanisms (Luthans & Youssef-Morgan, 2017; Youssef & Luthans, 2013). A critical underlying mechanism of PsyCap is an agentic capacity that represents “one’s positive appraisal of circumstances and probability for success based on motivated effort and perseverance” (Luthans et al., 2007, p.550). A manager with a positive cognitive appraisal of circumstances reframes and reinterprets negative situations in a more positive light, which makes him or her more likely to put forth the effort needed to create a positive future (Luthans & Youssef-Morgan, 2017). Also higher levels of PsyCap increase the ability to draw on positive psychological strengths to overcome obstacles (Gooty, Gavin, Johnson, Frazier, & Snow 2009). For example, hope promotes the creation of multiple pathways towards goals as well as the willpower to continually pursuit them. Those with high efficacy (i.e. being confident) will choose challenging goals and will be driven to complete them. Resilience allows individuals to recover from setbacks when obstacles are encountered. Optimistic individuals believe they have a high probability of success.

In addition to positive cognitive appraisals, research has shown that PsyCap operates through affective mechanisms. Based on the broaden-and-build model (Fredrickson, 2001, 2009), positive emotions can promote a broader perspective, expanding one’s thought-action repertoires. In addition to this broadening effect, positive emotions also have a building effect, increasing one’s physical, social, and psychological resources, and replacing depleted resources. PsyCap’s positive nature can trigger these broadening and building effects (Avey, Wernsing, & Luthans, 2008), which stand in sharp contrast to the narrowing and depleting effects of negativity. Negativity usually triggers narrowed fight-or-flight responses, and result in depleted resources.

PsyCap also operates through social mechanisms. It builds upon and goes beyond social capital (Luthans & Youssef, 2004). Social support and relationships are integral to PsyCap. For example, vicarious learning and social persuasion can build efficacy (Bandura, 1997) while social support is critical in sustaining resilience (Masten, 2001).

**Service Climate**

Service climate “refers to employee perceptions of the practices, procedures, and behaviors that get rewarded, supported, and expected with regard to customer service and customer service quality” (Schneider et al., 1998, p. 151). To support these perceptions, organizations need the proper internal structures, processes, goals, and rewards in place to sustain the behaviors necessary for a favorable service climate (Bowen & Schneider, 2014).

Service climate has four dimensions: global service climate, customer orientation, managerial practices, and customer feedback (Schneider et al., 1998). *Global service climate* represents molar aspects of the organization that involve employees’ knowledge and skills, recognition and accountability for quality work, leadership demonstrated by management, and the quality of internal services designed to assist boundary employees. *Customer orientation* is the degree to which organizations keep customers informed of changes that may affect them. *Managerial practices* represent the actions taken by employees’ immediate managers to hold them accountable, recognize and reward the delivery of quality service, and promote customer-centric policies and procedures. The *customer feedback* dimension represents the degree to which feedback regarding service quality is solicited from customers and then reported to front-line employees.

Organizations cannot develop a favorable service climate without first having the antecedents that make it possible to maximize an organization’s service system (Schneider & Bowen, 2010). These antecedents include: the quality of service received by internal departments (Cooil, Aksoy, Keiningham, & Maryott, 2009; Erhart, Witt, Schneider, & Perry, 2011; Reynoso & Moores, 1995), removing barriers to work (Burke, Rapinski, Dunlap, & Davison, 1996; Schneider et al., 1998), positive managerial behaviors (Salvaggio, Schneider, Nisii, Mayer, Ramesh, & Lyon, 2007; Schneider & Bowen, 1985; Schneider, Erhart, Mayer, Saltz, & Niles-Jolly, 2005), service oriented HRM policies and procedures (Bowen & Ostroff, 2004; Chuang & Liao, 2010; Hong, Liao, Hu, Jiang, 2013; Rogg, Schmidt, Shull, Schmitt, 2001), and employees who are engaged in their work (Schneider, Macey, Barbera, & Martin, 2009; Salanova, Agut, & Peiro, 2005).

**Leader PsyCap and Service Climate**

 This article proposes that leaders’ PsyCap will be positively related to their units’ service climate. We build upon the conservation of resources (COR) theory (Hobfoll, 2001), the motivational potential of organizational resources (Hackman & Oldham, 1980), and the broaden-and-build theory of positive emotions (Fredrickson, 2001). Specifically, as a manager’s PsyCap increases, s/he will have broadened thought action repertoires, which can lead to a stronger service climate within their team. This is because supervisors with increased levels of PsyCap can provide work-related resources through demonstrating and creating multiple pathways for employees to meet service-related goals. They will demonstrate confidence in handling obstacles and overcoming setbacks in order to facilitate their work units’ ability to provide good service. Managers with high PsyCap can provide service-related growth and development opportunities for employees while acknowledging current strengths and contributions. As suggested by Walumbwa and colleagues (2010), leaders in the service industry who exhibit high levels of PsyCap can have a strong impact on service employees’ performance when service climate perceptions are highly positive. Thus, managers with high PsyCap can provide more psychological and physical resources to their employees, which can influence employees’ perceptions of the resources and support they have to develop a positive service climate. Thus, the following was proposed.

*Proposition 1. Managers’ PsyCap is positively related to Service Climate.*

**Customer Satisfaction**

Customer satisfaction is defined as “the consumer’s fulfillment response; it is a judgement that a product/service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over-fulfillment” (Oliver, 2010, p. 8). Customer satisfaction is an intangible asset, specifically relational capital, which describes the relationship between customers and an individual employee, an entire department/division, an organization as whole (Kaplan & Norton, 2003; Mertins, Wang, & Will, 2009). It is a combination of a consumer’s cognition and emotion within the context of consuming a product or service (Carroll, 2004; Fournier & Mick, 1999).

Customer satisfaction can be attributed to one encounter, or to a number of encounters over time. At the most basic level, an individual’s one-time encounter with a product or service leads to a level of satisfaction that is tied directly to that encounter (Oliver, 1980, 2010). Over time, as an individual repeatedly interacts with the same product or service, he or she develops an accumulated performance history, which is used to establish a summary standard of satisfaction. This standard is further developed and modified during subsequent encounters. Overall customer satisfaction can be seen as a cumulative assessment of these individual transaction-specific encounters and experiences over time (Oliver, 1980, 2010).

Satisfaction occurs as a result of consumers’ expectations, disconfirmation of expectations, performance of the product or service, affect, and equity (Szymanski & Henard, 2001). As discussed by Oliver (1980), expectations are one of the underlying mechanisms that create a frame of reference, or an initial standard of what is acceptable prior to a consumer event or purchase. In line with the adaptation level theory proposed by Helson (1948), customers create expectations based on (1) the product itself, including one’s prior experience (2) the context, and (3) the consumer’s individual characteristics. Once the expectation is created, it sustains over subsequent evaluations for comparative judgement (Oliver 1981). Deviation from this frame of reference is called the disconfirmation effect (Oliver, 1980). Outcomes that are poorer than expected (negative disconfirmation) will fall below the reference point and result in a rating of low satisfaction. On the other hand, experiences that fall above the reference point (positive disconfirmation) will be rated as high satisfaction. When outcomes match expectations the consumer is simply just satisfied (zero or simple disconfirmation) (Oliver, 1981; Oliver & Desarbo, 1988; Szymanski & Henard, 2001).

Another underlying mechanism of consumer satisfaction is the performance of the product and service in relation to the costs incurred by the consumer, known as the concept of value-percept diversity (Johnson, 1998; Martenson, 2007; Szymanski & Henard, 2001). This concept explains that customers are likely to have higher levels of satisfaction with a product or service the more that product or service delivers what they need, want, or desire in relation to costs incurred.

Affective processing of features and attributes is a psychological mechanism that leads to post consumption levels of satisfaction where emotions are assigned to specific attributes of a product or service. Individuals assign extreme ranges of affect to attributes that they believe are the most important (Oliver, 2010; Westbrook & Oliver, 1991). Since the attributes in question are deemed to be the most important to the consumer, the extremes will be bipolar in nature, either positive or negative. These extreme emotions leave affective traces in memory and are called upon by consumers to integrate into satisfaction assessments, sometimes involuntarily.

Another mechanism of customer satisfaction is equity, which is a consumer’s judgement of how fair an outcome is versus what he or she put into achieving this outcome. It also takes into account a rightness or deservingness judgement that consumers make in comparison to what others receive (Oliver, 2010). Equity assumes the following:

Oc/Ic ∝ Or/Ir

where O represents outcomes, I represents Inputs, c is consumers, r is the referent person or group, and ∝ is a proportional operator. Consumers are said to be satisfied when their equity ratio is proportionally greater than reference person or group’s ratio (Goodwin & Ross, 1992; Oliver 1997).

**Service Climate and Customer Satisfaction**

Service climate has been demonstrated to be an antecedent to customer satisfaction (Schneider, Ashworth, Higgs, & Carr, 1996; Schneider & Bowen, 1985; Schneider & Bowen, 2014; Schneider et al., 1998; Storbacka, Strandvik, & Grönroos, 1994). Climate strength, the degree to which the perceptions about service are shared, influences the strength and direction of the service climate-customer satisfaction link in that “climate strength affects the predictability of units’ aggregate affective responses from units’ aggregate climate” (González-Romá, Peiró, & Tordera, 2002, p. 471). Liao & Chung (2007) found employees can develop better customer satisfaction through a positive service climate over time through the display of consistent behaviors of personal service, being helpful, attentive and friendly. These positive behaviors displayed by boundary employees during service trigger positive emotions in customers (Pugh, 2001; Schmit & Allscheid, 1995) and reveal to the customer that the organization focused on customer satisfaction (Schneider & Bowen, 1985; Schneider et al., 1980). Thus, the following is proposed.

*Proposition 2. Service climate is positively related to customer satisfaction.*

**Leader PsyCap, Unit Service Climate, and Customer Satisfaction**

This study proposes that service climate fully mediates the relationship between manager PsyCap and customer satisfaction. Managers have less interaction with customers compared to front-line employees, so the front-line employees are the primary direct link between the organization and the customers (Grisaffe, 2000; Schneider & Bowen, 1993). Schneider and colleagues (1998) found that managers need to provide resources and support to help employees meet established service-related expectations and standards, but only when employees demonstrate these expectations and standards do they lead to customer satisfaction. Service climate is expected to fully mediate the relationship between PsyCap and customer satisfaction because managers can set expectations and standards, create goals, and hold employees accountable, however, they cannot directly influence the satisfaction of a customer with whom they had no direct interaction. Indeed, a connection exists between management behaviors and the level of customer service delivered by front-line employees (Colgate & Danaher, 2000; Ricard & Perrien, 1999; Schneider et al., 2005). For example, Walumbwa and colleagues (2010) found that managers’ PsyCap can impact service employees’ performance. However, this study proposes that this relationship was fully mediated through service climate. Managers with high PsyCap can be perceived as providing more psychological and physical resources to their employees (i.e. provide multiple pathways) for meeting service-related goals, demonstrating confidence in handling obstacles and overcoming setbacks, which will lead to a stronger, more positive service climate, resulting in higher customer satisfaction. Thus, the following is proposed:

*Proposition 3. Service climate fully mediates the relationship between Psychological Capital and Customer Satisfaction*

**Implications and Future Directions**

Having satisfied customers is a critical success factor for organizations. In addition to the current emphasis on the attitudes and behaviors of front-line employees, it is also important to understand and promote positivity and enhance the psychological resources of the managers leading those employees. This paper proposes that managers’ positive psychological resources, such as PsyCap hope, efficacy, resilience, and optimism, can have an indirect (mediated) impact on customer satisfaction through enhancing their units’ service climate. Although managers’ PsyCap cannot be experienced directly by customers, its benefits can be channeled to them through the psychological strengths and resources managers utilize in leading service employees and facilitating this superior climate that is conducive to better service and higher customer satisfaction.

In terms of implications for research, customer satisfaction is a complex construct. In line with this paper and other recent studies, it is important to conceptualize and examine customer satisfaction from a more holistic and multilevel perspective. This perspective should take into consideration not only the product or service being delivered or the immediate behaviors of the front-line employees dealing directly with customers, but also the manager’s personality, attitudes, and behaviors, as well as the resultant service climate they create in their units. Multilevel models are more difficult to implement and test empirically, but they are necessary for understanding the depth and breadth of customer satisfaction. Furthermore, because service climate and customer satisfaction are cumulative constructs that are built over time and across an organization’s products and employees, a longitudinal perspective is necessary in examining these relationships.

Importantly, PsyCap is a malleable construct that is open to development and management through short training interventions. These evidence-based micro-interventions focus on improving hope, efficacy, resilience, and optimism, i.e. the HERO within. Thus, one of the most important practical implications is to develop managers’ PsyCap in order to promote a more favorable service climate among their employees, and consequently higher customer satisfaction. Figure 2 summarizes the various approaches for developing hope, efficacy, resilience, and optimism, discussed next.

 F**IGURE 2**

 **EVELOPING PSYCHOLOGICAL CAPITAL: THE HERO WITHIN**

*Developing Hope*

Hope can be facilitated by nurturing the ability to set goals, muster agency and determination, and create multiple pathways to meet these goals. Developing willpower and determination facilitates a continual search for new pathways, while creating these additional pathways ignites energy and control over one’s surroundings, which results in an upward spiral of hope (Snyder, 2000). Although hope is associated with clinical psychology, it also has relevance to the workplace (Luthans, 2002a, 2002b; Luthans & Youssef, 2004). For example, leaders’ hope is associated with profitability and employee retention (Peterson & Luthans, 2003). Managers’ and employees’ hope is also related to performance, job satisfaction, work happiness, and organizational commitment (Youssef & Luthans, 2007), making its development relevant to the workplace. Recognized approaches for developing hope include goal setting, contingency planning, and mental rehearsals.

*Goal-setting*

Extensive research shows a strong connection between effective goal setting and performance. Goal setting is one of the most effective ways to increase motivation and satisfaction (Locke & Latham, 2002). In order for goals to be most effective they must be:

* Specific and measurable
* Self-set and internalized
* “Stretch” goals that are challenging, yet still attainable with adequate effort
* “Approach” goals (i.e., stated in the positive, e.g. “I will pursue this”), rather than “avoidance” goals (e.g., “I will stop doing that”)
* “Stepping” goals that break difficult long-term goals into smaller and more manageable milestones so gradual progress can be recognized

Goals that meet these criteria can promote hope by increasing agency, or willpower. It is easier to commit to positive goals with verifiable outcomes. Negatively-oriented, “avoidance” goals, or goals that are immeasurable or unachievable, can lead to hopelessness. Vague or unrealistic goals can lead to “false hope” and disappointment (Polivy & Herman, 2002). Effective goals can also promote hopeful waypower, especially in the face of repeated failure. This is because they allow for reassessment and readjustment of goals and pathways (Snyder & Rand, 2003), which can sustain motivation to engage in challenges and take risks to achieve meaningful change and success (Lopez, 2013).

C*ontingency Planning*

 The waypower component of hope is developed by practicing contingency planning. Developing multiple pathways to reach a goal when obstacles are confronted allows the pursuit of the goal to continue, even when circumstances become challenging. Having multiple contingencies available, even before obstacles render the current pathway ineffective, amplifies hope so that in the face of challenges goals can still be met.

 *Mental rehearsals*

 Rehearsing the steps to goal achievement also develops the waypower component of hope. It provides opportunities to think about the future, examining the possibilities that are available and preparing for any challenging scenarios (Luthans et al., 2015). Rehearsing provides a sense of preparedness that sustains hope and resists hopelessness (Youssef-Morgan & Sunderman, 2014). However, it is important that mental rehearsals are directed toward realistic expectations. Dwelling on unrealistic expectations can lead to escalation of commitment to unachievable goals, which can waste energy and resources (Snyder & Rand, 2003).

*Developing Efficacy*

 Efficacious managers are characterized by four characteristics:

1. They set challenging goals for themselves and choose difficult tasks.
2. They are self-motivated.
3. They invest the necessary effort to meet their goals.
4. They persevere when faced with obstacles.

There are four recognized approaches to efficacy development, discussed next.

M*astery/success experiences*

 Repeatedly experiencing mastery and success is the most effective approach to developing efficacy. In other words, the relationship between efficacy and success can be reciprocal. However, for the purpose of efficacy development, mastery and success experiences can be purposefully created by breaking complex tasks into subcomponents so subskills can be developed and “small wins” realized more frequently. Mastery and success experiences can be facilitated by intentionally setting up developing employees for success, through placing them in situations with a high probability of achievement. It is also possible to develop mastery and success through training interventions that utilize simulations, case studies, what-if analyses, and other hands-on exercises. These interventions are particularly relevant in situations where risks or costs prohibit offering actual on-the-job mastery or success experiences to new or developing employees (e.g., pilots, surgeons, police personnel).

*Vicarious learning/modeling*

 Learning through observation and imitating others is another viable approach for developing efficacy, and an effective alternative in situations where first-hand mastery experiences are unavailable, too costly, too risky, or otherwise impossible to provide. Vicarious learning allows for mastery and success to be visualized through imaginal experiences where those who possess more experience model the desired behaviors. Effective role models can ‘show the ropes’ to developing employees and instill in them an ‘if they can do it, I can do it, too’ attitude. However, model and situational similarity are important for vicarious learning experiences to be most effective. For example, behavior modeled by a coworker on the job is more likely to instill efficacy than behavior modeled by the company CEO or a professional trainer.

*Social persuasion*

 Efficacy is also influenced by others’ encouragement and support. In the context of work, regular positive feedback, social support, and recognition can enhance employees’ performance beyond monetary rewards or traditional performance management tactics (Stajkovic & Luthans, 1997, 2001, 2003). This is because positive feedback has an informational value, while social support and recognition have social and political value, both of which are necessary for success in the context of work. Acknowledgment and genuine appreciation can have a powerful impact on performance by instilling the belief that ’I am good at this,’ which can promote efficacy and reinforce desired behaviors.

*Physiological and psychological arousal*

 Physical and psychological wellness can promote efficacy. General wellbeing can provide the energy and motivation to endure challenging pursuits and invigorate one’s sense of confidence and personal control. Although positive mental and physical arousal do not impact efficacy as much as the other three approaches, negative arousal can hinder efficacy and wellbeing.

*Developing Resilience*

 Resilience is more reactive than the other resources that are a part of PsyCap as it is usually mobilized in response to challenges and adverse situations. Unlike hope, efficacy, and optimism, which tend to be more proactive, resilience is activated to facilitate effective coping and recovery. Resilience facilitates bouncing back, not only from failures, but also from overwhelming positive experiences (Luthans, 2002a). Examples include increasing responsibilities and challenging assignments that can come after a promotion or a as part of a highly coveted position. Resilient individuals also learn and grow from these experiences and use them as springboards to launch themselves to new territories, beyond simple recovery (Youssef-Morgan & Sunderman, 2014). Drawing from Masten’s (2001; Masten, Cutuli, Herbers, & Reed, 2009) work on resilience in developmental psychology, resilience can be developed in the workplace through the following three strategies.

*Asset-focused strategies*

 Knowledge, skills, abilities, education, and experience are important assets that can build resilience against challenges. Being knowledgeable and capable of reacting effectively when confronted with challenges can help sustain resilience. Traditional training and development programs can be used to enhance these assets and resources. Assets and resources used to build resilience can also be developed through transparent communication, social support, mentoring, and quality leadership. Other positive psychological resources such as hope, efficacy, and optimism are also considered valuable assets for resilience development.

*Risk-focused strategies*

 Overwhelming or unmanaged personal and organizational risk factors can compromise resilience. Personal risk factors include skill deficiencies, addictions and other unhealthy behaviors, and poor work-life balance. Organizational risk factors include unfavorable work climate and culture, toxic leadership, unreasonable work demands, insufficient resources, and ineffective or inflexible systems. Although risk is a necessary part of life and an important element of progress and success, overwhelming or unnecessary risks can lead to avoidance strategies and compromise resilience. Risk-focused strategies do not eliminate risk factors, but they prepare employees to face, cope with, and grow through effective management of these risk factors. Interventions that aid the development of these strategies include one-on-one coaching and mentoring by others who have experience with the challenges the employee is experiencing. Coping skills and risk management strategies can be developed to enhance employees’ abilities to deal with risk factors.

*Process-focused strategies*

Process-focused strategies emphasize building effective adaptational mechanisms to help individuals discern which strategies or resources to use and how to use them effectively to overcome specific challenges. In other words, process-focused strategies facilitate the identification, utilization, and maintenance of the proper mix of strategies and resources in order to manage relevant risk factors. In the context of work, process-focused strategies may include hiring practices that increase the likelihood of person-organization and person-job fit, emphasis on stress management skills, and promotion of wellness and work-life balance. In terms of individual-level process-focused strategies, approach-coping techniques are more positively associated with developing workplace resilience (Harland, Harrison, Jones, & Reiter-Palmon, 2005) than avoidance-coping techniques. For example, appraising the situation positively, seeking out guidance and support, and actively looking for solutions to problems are effective process-focused strategies for developing resilience.

*Developing Optimism*

 Unlike some of the other PsyCap resources, optimism is not necessarily domain-specific. It can be generalized across multiple domains of life. Optimists expect the best in people and situations in the present and future, and make positive and constructive attributions about past events. Extreme optimism can be delusional, unrealistic, and even irresponsible. Invariantly focusing on the positives, taking credit for favorable events, and distancing oneself from negative events or problems can hinder performance at work, as well as in other life domains. For example, it can compromise health and relationships, and promote unnecessary risky behaviors (Peterson & Chang, 2002). On the other hand, realistic (Schneider, 2001) and flexible optimism (Peterson, 2000) is valuable in the workplace. This type of optimism allows for accurate appraisal of situations and adaptation of explanatory style to fit the realities of the situation and produce effective courses of action. There are three specific approaches for facilitating this type of optimism.

*Leniency for the past*

 Pessimists take too much responsibility for failures. They judge themselves too harshly, find it hard to forgive themselves for setbacks beyond their control, and do not give themselves the benefit of the doubt. To develop a more optimistic explanatory style, employees can be trained to reframe setbacks more positively, and view failures in the best possible light, so that they can forgive themselves and move past bitterness, resentment, and disappointment. Leniency for the past is developed through purposefully disputing negative thoughts and attributions, discounting them, and replacing them with more favorable, but still realistic ones that can cause the least psychological damage and promote learning from previous mistakes and moving on. This approach is particularly relevant in situations where there is no value to dwelling over negative past situations that can no longer be reversed or corrected. In these situations, choosing the most benign and least damaging explanations of what happened in the past is likely to lead to the most positive influence on the person’s present and future performance and wellbeing.

*Appreciation for the present*

 Appreciating the present focuses on finding the positive aspects of current events. It internalizes the positive aspects of current experiences, attributing them to personal, permanent, and pervasive causes. Similar to the previous approach, employees can be trained to focus on the positives of their daily experiences at work, even when faced with negative or difficult situations. They can also be trained to practice ‘positive self-talk’ to motivate themselves and acknowledge their strengths and accomplishments, rather than undermining themselves and getting bogged down by dwelling on the negatives. Managers can also model these cognitive strategies and thinking patterns to their employees by choosing to stay positive and encouraging their employees to do the same. Using this technique, managers and employees can gradually develop the skill of defaulting to positive and optimistic perspectives on situations, commonly referred to as seeing the ‘glass half full’ or the ‘silver lining in every cloud.’

*Opportunity seeking for the future*

 Optimists have a positive general outlook toward the future. They expect good things to happen, which can be invigorating and motivating to take risks, expand their horizons, and venture toward future opportunities. In the workplace, managers and employees with a positive outlook are more likely to focus their energy and resources on the future and invest in their own and others’ growth and development based on an understanding of strengths and weaknesses. They are less likely to dwell on the past, engage in counterproductive blame-shifting and finger-pointing to avoid responsibility, or settle for paths of least resistance to avoid risks. A positive mindset promotes accepting future challenges, rather than avoiding them. Regularly practicing and implementing leniency for the past and appreciation for the present can also result in a more positive mindset and a more positive future outlook in general.

**Conclusion**

Managers’ PsyCap can promote a favorable service climate in their units, and subsequently higher customer satisfaction. Organizational scholars and decision makers should consider the importance of developing managers’ psychological strengths and resources in service contexts, due to their downstream effects on their units, employees and customers. Efforts to improve customer satisfaction should not only focus on product/service characteristics or frontline employees’ skills, attitudes, and behaviors. Although these factors are important, it is also necessary to promote positivity and build psychological resources among managers, as these resources are likely to trickle down indirectly to customers through the service climate managers promote in their units and among their employees.

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