

# Combined Effects of Psychological Capital and Psychological Contract on Employees' Job Level Outcomes

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## Abstract

This study examined the direct effect of psychological capital on employees' job level outcomes. In addition, the study also examined the moderating role of psychological contract types (relational and transactional contract) on the direct relationship between PsyCap and job level outcomes. Longitudinal research design was adopted for this study and data were collected from employees working at different organizations in telecom sector. After deleting incomplete and invalid survey instruments the remaining sample size left with 411 respondents. Findings of the study revealed that PsyCap was positively related with employees' behaviors and in-role performance. The results also showed that psychological contract types (Relational and Transactional contract) moderated the direct relationship between PsyCap and counterproductive work behavior; however, psychological contract types (Relational Contract and Transactional contract) did not moderate the direct relationship of PsyCap with OCB, and in-role performance. Future research directions and implications of the study are also discussed.

**Keywords:** PsyCap, relational contract, transactional contract, OCB, CWB, in-role-performance.

## 1. INTRODUCTION

### 1.1. Background

Organizational success is dependent upon various factors and ultimate positive results for organizational success are attributed to the employees' struggle and efforts as well as to achieve that strong relationship needed to be established among workers. Nature of this relationship is function in two directions as contribution of employees to their organizations depends upon how much organization oriented towards their benefit and well being. Fulfillment of various demand of employees and their legal rights, results in creating positive organizational attitudes and behaviors like satisfaction, involvement and their performance in each role emerge resulting in employees' sincere efforts to achieve organizational objectives. The significance of these positive behaviors has been highlighted by a number of studies. For instance, positive impact of extra-role performance on individual as well as organizational performance has been empirically supported by different studies (Netemeyer et al., 1997; Organ, 1988; Barksdale and Werner, 2001), which shows that it increases productivity, product quality (Podsakoff et al., 1997), and service quality (Bell & Menguc, 2002). To avoid emergence of negative attitudes and to develop positive organizational behavior (POB), organizational psychologists has been advocating importance of positive psychology of individuals, which speaks about positive psychological resources. These are individuals' strengths, capabilities and virtues that can be nourished and developed. Having satisfied individuals' psychological needs through social and environmental factors, organizations can develop more advanced and strong psychological resources such as autonomy, sense of competence, relatedness, self-efficacy etc. that lead towards POB such as intra-role performance, extra-role performance, satisfaction, commitment (Shahnawaz and Jafri, 2009; Hurter, 2008; Luthans et al, 2007; Avey et al, 2010) These psychological resources also help reduce negative emotions such as counter-work behavior and turnover intentions (Bressler, 2006; Luthans, Avolio, et al., 2007), which according to many studies cause greater damage to organizational cause.

PsyCap is defined as a person's positive state of mind consisting four important components: hope, optimism, resilience and self-efficacy (Luthans et al., 2007), originated from positive organizational behavior (POB) research, which is referred as study and use of "positive human strengths and psychological capacities" which are measurable and can be "developed and managed" which resulted in enhanced positive performance of employees in organizations (Luthans et al., 2007a). Psychological contract theory states that level of employee's effort and contribution to achieve organizational goals is dependent to the extent that organization assumes that employees increase their efforts carried out on behalf of the organization to the degree that the organization is viewed as able to and willing in reciprocating with impersonal as well as emotional resources. In situation of having resources which are highly valued by employees from organizations like rise in their increments and providing opportunities of training contributing to their development, they would feel highly obligated, having based on reciprocate norms, they will be helpful to assist in achieving organizational goals and objectives by developing such behavior as enhancing their role performance (Aselage, and Eisenberger, 2003). Coyle-Shapiro and Kessler (2003) in a large cross-sectional study (with 5,709 respondents) conducted in the public sector in the

United Kingdom, examined influence of psychological contract fulfillment on employee commitment and citizenship behavior. Their results indicated transactional contracts and organization citizenship behavior have negative relationship and a positive relationship was found among relational contract and organization citizenship behavior. The impact of PsyCap and psychological contract type in generating positive behavior is viewed and supported by a number of vast studies (Peterson et. al., 2011, Luthans et. al., 2007, Chien & Lie, 2013, Norman et. al., 2010 & Raja et. al., 2004). However the extant literature is silent in guiding how impact of PsyCap on individual behavior varies with respect to psychological contract type. Identifying this gap, the present study also aims to explore the moderating impact of psychological contract types on the relationship between PsyCap and individuals' behaviors and in-role-performance.

## **2. LITERATURE REVIEW**

### **2.1. Psychological Capital:**

Psychological Capital (PsyCap) is attributed to a person's positive state of mind comprising of four important components: optimism, resilience, self-efficacy and hope as explained by Luthans et al (2007) and the concept is originated from positive organizational behavior (POB) research, explained as to examine and to avail the use of "psychological capacities" and influential human state which is positive and measurable, and could be "managed and developed" for better employee performance at workplace (Luthans et al., 2007a). Psychological capital has been originated from positive organizational behavior theory. It is basically a positive significant person's mental capacity, performing work efficiently in certain situations and great deal of accomplishment and achievements. It can be positively related to the individual mental processes, their level of satisfaction and accomplishments. Psychological capital laid stress upon individual initiative and point of attention is basically mental state of individuals. In past ideas significantly contributing to capable POB concepts are comprised of individuals characteristics like subjective well-being and emotional intelligence as narrated by Luthans, (2002) and among all, those capturing attention POB researchers are self-efficacy, hope, optimism and resilience. All those components which can enhance, manage employees and organizational success are considered as positive human state of PsyCap (Luthans et al., 2007b).

Psychological capital is important structure which can be used to enhance accomplishment levels of organizations by applying it. Based on human capital and social capital theories, which treated knowledge and networking as currencies, psychological capital give emphasis to individuals' possible selves, rather than their own selves, for example, development of individuals from "who they are" to "who they are becoming" (Luthans, Youssef, & Avolio, 2007).

### **2.2. Psychological Capital and Organizational Citizenship Behaviors:**

PsyCap is considered as a composite variable and potential valuable contributor. It is derived from the blend of self-efficacy, hope, resilience and optimism. It is to believe that desirable work behaviors are related to PsyCap which in turn supports the workplace with those job behaviors which are not specified. Hence, there is a possibility of relationship between positive PsyCap and desirable work behaviors, which are not incorporated in job description, but they are voluntarily offered to support organization itself by the individual employees.

Former research by Staw and colleagues (Staw & Barsade, 1993; Staw et al., 1994; Wright & Staw, 1999) came up with a conclusion that employees who are more socially coordinated in organization reported high levels of positive emotions, and in return leading to high level of commitment and citizenship as compare to those with low level of positive emotions. OCBs are work-related behaviors that ones are able to be used as one chooses and these are not related to organizational reward system which is formal and in totality leads to the efficient organizational function.

Individuals with higher PsyCap more likely seems to be engaged in organization citizenship behaviors than the individuals having low PsyCap for various reasons. Generally, the employees who tend to be positive showed greater OCBs comparatively to those who tend to be negative. For the conceptualization of this relationship support can be provided by several relevant mechanisms. Fredrickson's (2003) model supported that individuals who exhibit positive emotions utilize wider thought-action repertoires and contributes to increase the potential for proactive extra-role behaviors like suggestions for improvement and sharing of creative ideas. Recently organizational based studies (Wright, Cropanzano, & Bonett, 2007). Furthermore, positive psychological researches supported the association between broader thought-action repertoires & positivity as narrated by Fredrickson (2001), which can provide supplementary favor to this anticipated relationship. Fredrickson's (1998, 2001) broaden-and-build theory suggested that orientations and positive emotions resulted in wider people's focus and attention, their behavior as well as their patterns of thinking which empirically had been supported by Kahn and Isen (1993).

Norman, et al (2010) investigated that existence of association between psychological capital (PsyCap) and both organizational citizenship behaviors and employee deviance is moderated by organizational identity. In organizations, those employees having highest PsyCap are recognized positively and comparatively having least

degree of with deviant behaviors. Thus, it is expected that psychological capital is comprised of hope, efficacy, resilience and optimism, which can improve performance of follower by improving an individual's overall perseverance & motivation. On the basis of above literature support it is hypothesized.

**Hypothesis No. 1:** PsyCap has positive association with OCB.

### **2.3. Psychological Capital and In Role Performance:**

When an employee tries harder for success, it is general that he/she gives better performance. According to Luthans et al (2010) short training interventions not only develops participants' mental wealth, but it also leads to their improved on job performance. Psychological capital can be largely overlooked and an important resource to impact employee job performance positively. More precisely, psychological capital can be proved more useful to performance management and human resource developmental processes (Peterson et al, 2011).

Campbell and colleagues (1993) argued that motivated effort is very important but not the only predictor of performance. Individuals having higher PsyCap are more likely to put extra effort and are more energized in obtaining high performance since prolonged time. This is due to the fact that individuals having high efficacy can put greater effort towards the achievement of those goals which they believe they have ability to achieve. Furthermore, they possess more willpower and are capable of generating numerous solutions for the problems (hope), they have positive expectations and can make internal attributions for results (optimism), can positively respond and persevere in the time of setbacks and adversity (resilience). Generally, PsyCap should accelerate the motivation for intentional agents' behavior towards the successful achievement of the objectives and tasks that lead to better performance than those with low PsyCap. The composite of four facets of PsyCap has positive significant relationship with satisfaction & performance (Luthans et al, 2007).

Other authors suggested that an important way for leaders to influence their employees' performance is laying in understanding their psychological capital (Avolio et al., 2004; Avolio & Luthans, 2006). These studies hypothesized that the positivity training helped managers to increase their productivity; their employees also witnessed the difference in their manager's style which in turn increased employees' productivity as well (Luthans et al., 2007, p. 550). In light of the above theory and practice following hypothesis is derived.

**Hypothesis No. 2:** PsyCap has positive association with in-role performance.

### **2.4. Psychological Capital and Counterproductive Work Behaviors (CWB):**

Counterproductive Work Behaviors can be defined as "*voluntary behavior of organizational members that violates significant organizational norms, and in doing so, threatens the well-being of the organization and/or its members*" (Bennett & Robinson, 2000). By definition, CWBs are often time detrimental for organization and its members and include behaviors such as harassing coworkers, sabotaging the work or key projects of other individuals or intentionally failing to follow the instructions and spreading negative rumors.

The question arises here is that, what are the causes of organizational behaviors to deviate. According to Fox and Spector (1999), certain behavioral limitations which are confronted by individuals' results in stressor because of their violation and opposition to those can be reason of CWBs, line employee facing pressure for more and more output can deliberately damage the muster line for slowing it, for allowing others to catch up. Another interesting aspect is that individuals having high PsyCap are capable of resisting pressure for more and more output by recognizing that this pressure is temporary and with the passage of time this pressure will decrease. Literature shows that positive psychological capital increases positive outcomes and decrease less productive behaviors towards work (Avey, Luthans, & Youssef, 2010; Luthans et al., 2007; Walumbwa et al., 2009).

For understanding negative relation between CWBs and PsyCap, the researchers point out to the origin of CWBs. Particularly, some researchers believe that workplace limits are the primary stress factors of CWBs (Fox and Spector, 1999). Other process highlights some employees who have depending on less skillful colleagues may give response with CWBs because of factors like (co-workers work sabotage due to failure in help). It means that individuals with high PsyCap have less chance to reach CWB according to Fox and Spector's process model.

In addition to this, if employees have high level of hope, it may enable them to come up with other ways for overcoming these barriers. Even then if stressors are creating more stress, the employees with higher level of optimism will come up with better and positive expectation for future work and events. Furthermore they will expect that the situation will improve for them with passage of time. Following hypothesis is derived from the above literature.

**Hypothesis No. 3:** PsyCap has negative association with CWBs.

### **2.5. Moderating Role of Psychological Contract Types:**

#### **2.5.1. Psychological Capital, Psychological Contract Types and In Role Performance:**

Psychological capital is very significant factor although somehow ignored in literature; it can affect strongly and

can lead to high performance level of employees. Psychological capital can be positively utilized in developing human resource of organizations as well as in managing performance of employees (Peterson et al, 2011). PsyCap impels the individuals' intentional behavior for the successful accomplishment of their tasks and improved performance. The composite of four facets of PsyCap will lead to good performance levels according to Luthans et al, (2007). Campbell and colleagues (1993) argued that employees with high PsyCap will be highly motivated which results in their good performance along with time.

Psychological contract is also an intensively explored area in terms of boosting employees' in-role performance. Empirical studies show that psychological contract positively affect employees' job performance (Robinson and Rousseau, 1994; Aselage and Eisenberger, 2003). Keeping in view Expectancy Theory of Vroom (1964), individuals who are in relational contract with their employers are more likely to identify themselves with their respective organizations and in turn they become more committed and satisfied employees. The theory further posits that satisfied employees will perform better because they perceive that they are in long term contract with their organizations and they perceive the organizational and their personal objectives as the same. So it is less likely those individuals who are in relational contract with their organization will go for organizational deviance and are more likely that they will go for high organization performance, commitment and job satisfaction. Extended studies relating to psychological contract hold the idea that security of job at workplace in long term enhances employees' organizational identification which in turn leads towards relational contracts (Cavanaugh & Noe, 1999; Lester et al., 2002; Robinson et al., 1994; Rousseau, 1990; Turnley & Feldman, 1999). On the other hand insecurity related with job will negatively influence trust factor in workplace which is counterproductive in the long run as explored by many researchers (Ashford et al., 1989; Boselie, Hesselink, Paauwe, & van der Wiele, 2000). Therefore in situations where employees perceived high level of security in job will leads to relational psychological contract which positively influence trust for both employees and organization and thus result in good organizational performance.

Individuals having Low level of PsyCap are unlikely to view relationship with their organizations through long-term lens (i.e., relational) because of having a poor P-J fit. Research shows that a relational psychological contract promotes such organizationally valued behaviors as task and contextual performance (Shore et al., 2006; Uen, Chien, & Yen, 2009). Alternatively, transactional or economic exchanges focus only on tangible portion of interaction (as work for compensation) which is negatively associated with organizational practices aimed to build highly committed workforce (Uen et al., 2009).

William and Turnley (2015) studied the connection among psychological contract fulfillment and employee behavior in all of its types i.e., in-role performance, organizational citizenship behavior towards work place, and organizational citizenship behavior towards organizational employees. By utilizing 134 supervisor-subordinate dyads samples, he conducted a study and found that there exists positive connection between psychological contract fulfillment and employees behavior in all its types. In addition, the results indicate that psychological contract fulfillment is directed towards citizenship behavior at the workplace as compared to citizenship behavior focused towards other employees. Lastly, according to the findings of his study, in a situation of where employees ascribed relating the cause that psychological contract break will influence their work performance efficiency though there exists support to this belief on limited grounds that employees will be negatively motivated and it affects their task performance if employees regarded workplace is supporting and not up to its commitments with its own intentions.

Employees with relational psychological contracts consider organizational objectives as important as their personal objectives and are willing to do what is beneficial for the organization (Rousseau 2000). Since their role as loyal employees is beneficial to the firm, so those (having relational contract with their organizations) focus on performing their in-role behaviors wholeheartedly this is mandatory for overall organizational performance (Chien & Lie 2013). It is therefore assumed that employees with higher PsyCap perceived that the contract is relational and exhibit more in-role performance as compared to employees with higher PsyCap and perceived that the contract is transactional contract. In light of the above theory and practice following hypothesis is derived:

**Hypothesis 4 (a):** Relationship between PsyCap and in-role performance is moderated by Relational Contract such that the relationship is stronger for higher in relational contract.

**Hypothesis 4 (b):** Relationship between PsyCap and in-role performance is moderated by transactional Contract such that the relationship is stronger for higher in transactional contract.

#### 2.5.2. Psychological Capital, Psychological Contract Types and OCB:

It has been explored in organizational literature that the relationship between psychological capital (PsyCap) and both organizational citizenship behaviors and employee deviance is moderated by organizational identity in such a way that employees with higher PsyCap and high identification with the organization were engaged in organizational citizenship behaviors and least likely engaged in deviance behaviors (Norman et. al., 2010). It is assumed by psychological contract theory that on behalf of the organization, employees increase their efforts to the extent to which it is perceived that organization is able to and agree to respond to impersonal resources which

are desirable. As it is a two way process so individuals with high esteem resources which included in the form of various opportunities to train and provide them incentives, they will feel happy and ultimately helpful to organization in its goal attainment through increased extra-role and in-role performances (Aselage, and Eisenberger, 2003). It has been proved by previous studies that organizational commitment, contract behavior, organizational citizenship behavior, performance and employee's job satisfaction are positively affected by psychological contract (and in contrast, psychological contract breach) (Robinson and Rousseau, 1994; Aselage and Eisenberger, 2003). Furthermore, a relational contract facilitates organizational outcomes and positive personal outcomes as a result of the mutual commitment between the organization and employees (Raja et al., 2004). Finally, Millward and Hopkins (1998) stated that employees having a relational contract are more likely to behave as organizational citizens and are more committed to the organizational goals than those with transactional contract. Hence, employees with a relational contract are more likely to engage in their work, more satisfied with their jobs and least likely to quit the organization. Coyle-Shapiro and Kessler (2003), in a large cross-sectional study (with 5,709 respondents) conducted in the public sector in United Kingdom, examined the impact of psychological contract fulfillment on employees commitment and citizenship behavior. Their results indicated a negative relationship between transactional contracts and citizenship behaviors and a positive relationship between relational contract and citizenship behavior. It is therefore assumed that employees with higher PsyCap and perceived that the contract is relational would exhibit more organizational citizenship behavior than employees with higher PsyCap and perceived that the contract is transactional. For example, employees who perform better at work, exhibit positive work behaviors beyond their job descriptions are more likely to have greater expectations towards their organization than those employees whose performance is comparatively less appropriate. Both parties will benefit each other based on bidirectional exchange process (Coyle-Shapiro and Kessler 2002).

Previous research suggested that perceived psychological contract breach will result in impacting employees' organizational commitment, job satisfaction, willingness to be engaged in an organizational citizenship behavior, job performance, productivity and enhances the intention to leave the organization and actual turnover (Bunderson, 2001; Conway & Briner, 2002; Coyle-Shapiro, 2002; Thomas, Au & Ravlin, 2003; Edwards, Rust, McKinley & Moon, 2003). Psychological contract plays a substantial role in the elicitation and maintenance of citizenship behavior. Following hypothesis is derived:

**Hypothesis 5 (a):** Relationship between PsyCap and OCB is moderated by Relational Contract such that the relationship is stronger for higher in relational contract.

**Hypothesis 5 (b):** Relationship between PsyCap and OCB is moderated by transactional Contract such that the relationship is stronger for higher in transactional contract.

#### 2.5.3. Psychological Capital, Psychological Contract Types and Counterproductive Work Behaviors:

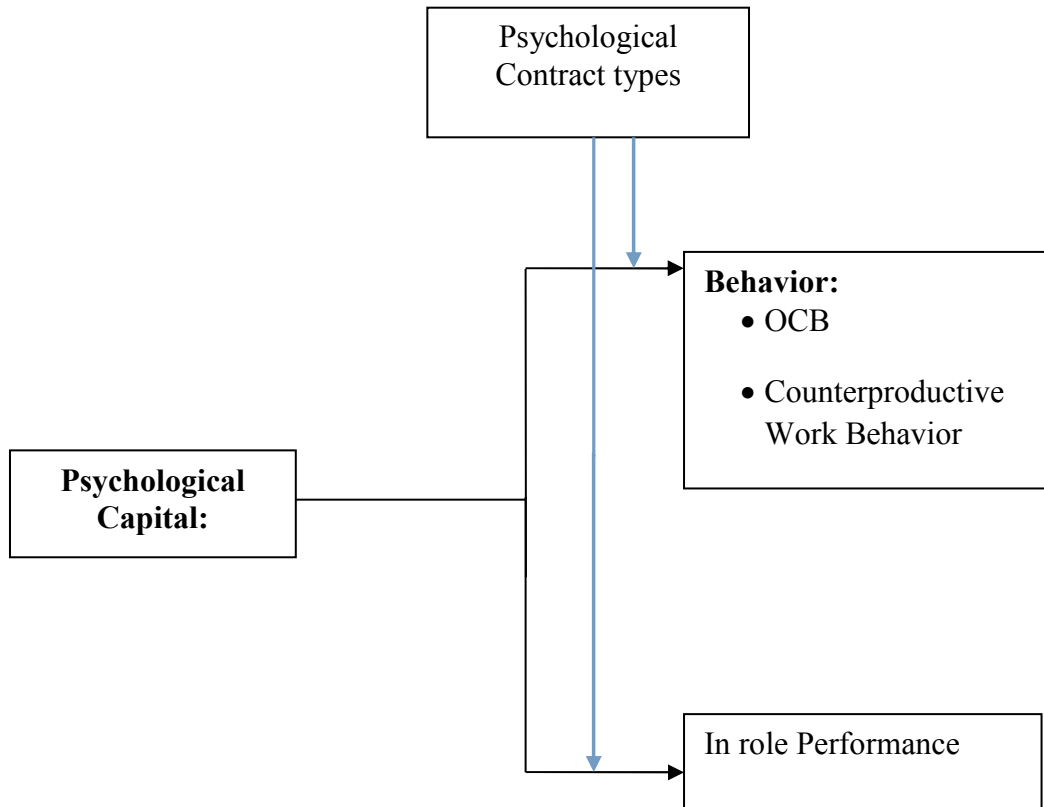
Social exchange theory (Blau, 1964) posits that employees are unlikely to reciprocate positively if their employers fail to fulfill their work-related needs. The theory further asserts that this lack of long-term perspective and trust in employment may be associated with negative outcomes (Cropanzano & Mitchell, 2005). Norman et al., (2010) found that organizational identity moderates the relationship of (PsyCap) and both OCB and employee deviance in such a way that employees with highest PsyCap and most strongly identified with the organization are most likely to be engaged in organizational citizenship behaviors and least likely to be engaged in deviance behaviors. It is a natural phenomenon that employees expect from their organizations to deliver explicitly and implicitly the promised inducements and in turn they reciprocate by engaging in organizationally valued behaviors (Shore, Tetrick, Lynch, & Barksdale, 2006). There are also studies showing relationship between psychological contract type and employees' CWB. Lim (1996) found that there is a positive correlation between job insecurity (Transactional Contract) and deviant behavior. Those who may not perceive the relationship with their organizations as a long-term, reciprocal exchange, corresponds with heightened CWBs (Luksyte, Spitzmueller & Maynard, 2011). A recent study by Zagenczyk, Restubog, Kiewitz, Kiazed & Tang (2011), explored that High Machiavellian employees practiced low level of citizenship behavior because they tend to form transactional psychological contracts and as a result high deviant behavior was observed. It is therefore assumed that employees with higher PsyCap and perceived that the contract is transactional would engage more in organizational deviant behavior as compared to employees with higher PsyCap and perceived that contract is relational. Jensen et al. (2010) showed in their research on counterproductive work behavior (CWB) that breaching the psychological contract triggers the employee's CWB. Specially, they explored the relationship between relational contract and transactional contract breach and five forms of Counterproductive work behavior (production deviance, abuse, theft, withdrawal and sabotage). Furthermore, they also considered the role of individual factors as well as situational factors that lessen CWB engagement and studied the moderating effects of organizational policies which deter personality and counterproductive work behaviors (emotional stability, conscientiousness, and agreeableness). In light of the above literature following hypothesis is derived:

**Hypothesis 6 (a):** Relationship between PsyCap and CWB is moderated by Relational Contract such that the

relationship is weaker for higher in relational contract.

**Hypothesis 6 (b):** Relationship between PsyCap and CWB is moderated by transactional Contract such that the relationship is weaker for higher in transactional contract.

## 2.6. Proposed Research Model:



## 3. METHODOLOGY

### 3.1. Population & Sample:

Population of this research was comprised of companies from Telecom sector in Pakistan. According to Islam & Habib (2010), Telecom sector faces high employee turnover, which can be attributed to a larger extent to the underlying working conditions capable of addressing factors such as, psychological capital, and psychological contract. Total estimated population of the study was 15000 employees. Due to time and resources constraints, it was not possible to study the entire population. Therefore a representative sample comprising of 375 employees have been calculated using formula. To ensure 100% response rate, 500 survey instruments have been distributed among participants working at different management levels (line, middle, and top level management) in Telecommunication companies in Pakistan.

### 3.2. Procedure:

Longitudinal research design was used for collecting data for this research. The study is longitudinal in nature because of the assumption that behavior take time to develop as a result of certain factors. In the context of present study, psychological capital and psychological contract would be tapped at T1, whereas behavior at T2 to investigate the impact of former variables on employees' behavior and in-role-performance. The feedback of employees regarding psychological capital and psychological contract types tapped at T1 would take time to develop behavior and performance accordingly, therefore taken on T1. The behavioral variables and in-role-performance are not taken at T1 because in that case it could not be substantiated that psychological capital has generated those behavior and performance.

A cover letter was attached to each questionnaire. 500 questionnaires were distributed; we received 462 surveys at time 1. The time 1 survey included instruments on psychological capital and psychological contract types (Relational contract and Transactional contract). Approximately two months later, the same 462 employees were contacted again and time 2 surveys were distributed to them. The time 2 survey included instruments on, organization citizenship behavior and counterproductive work behavior. Number of those who reported first to survey (i.e. Time 1) was a total of 435 or 89% and lastly after 2 surveys collection, respondents' supervisors

were contacted. The survey included instrument on in-role-performance. Each supervisor was asked to evaluate his or her subordinate's in-role performance on the given scales. For total 421 responses their supervisors' response was obtained and 10 was excluded as they were not usable responses. Therefore, the final sample size included 411 paired-responses yielding a response rate of 84%.

### 3.3. Instrument and Measurement:

The instruments used for obtaining data in this research study have previously been validated across different work settings, professions and industries. All the study variables except job performance have been measured using self-reported instruments because self-reports are considered to be more appropriate for these measures. However, to avoid self-report bias issues, job performance was measured using supervisory-rated responses. The following questionnaires were used for the collection of data.

**Psychological Capital:** Psychological capital was measured by 24-item PsyCap questionnaire or PCQ (Luthans, Avolio, et al., 2007; Luthans, Youssef, et al., 2007). This instrument includes 6 items for each of the four components of hope, efficacy, resilience, and optimism measured on a 5-point Likert-type scale. Sample items are as follows: efficacy-"I feel confident helping to set targets/goals in my work area;" hope-"If I should find myself in a jam at work, I could think of many ways to get out of it;" resilience-"I usually take stressful things at work in stride;" and optimism-"When things are uncertain for me at work, I usually expect the best." Previous research has shown strong factor-analytic fit for the PsyCap questionnaire across multiple samples (e.g., Avey et al., 2006; Luthans, Avolio, et al., 2007).

**Psychological Contract Type (Relation and Transactional):** Millward and Hopkins (1998) the shortened 18 items scale having a clear two-factor solution, with coefficient alphas of 0.79 for relational contract and 0.72 for transactional contract was used to measure psychological contract. Example of the item for relational contract, "I feel part of a team in this organization", and for transactional contract, "I work only the hours set out in my contract and no more". Previous studies have reported that reliability of this measure ranged from 0.72 to 0.79.

**Organization Citizenship Behaviors:** OCB was measured by using Questionnaire developed by Smith, Organ and Near (1983) with original alpha value 0.86. Responses was obtained on a five point Likert scale, where 1=strongly disagree and 5=strongly agree. Example items include: To what degree do you help others who have been absent? Are you volunteer for things that are not required? Previous alpha values of various researches ranged from 0.78-0.90.

**In-role Performance:** The five items scale on the survey was designed to measure supervisor-rated employee performance and are based on the work of Heilman, Block, & Lucas (1992). A sample items are, "All in all, how competently does this individual perform their job?" Data Managers would be asked to complete the five-item performance measure for each of the employees who they directly supervise or manage. The intention is to have manager ratings serve as the primary measure of performance. Pervious reliability was 0.90 for self-reported and 0.96 for supervisor reported.

**Counterproductive Work Behaviors:** CWBs was measured with 10 items from Fox and Spector's (1999) CWBs scale ( $\alpha = .81$ ), which has demonstrated strong psychometric properties. Example items were asked the extent to which respondents have "purposely ignored their boss" and "purposely wasted company materials/supplies." Ratings was on a 5-point Likert-type scale ranging from hardly, if ever to frequently, if not always. These items have been used in previous research (Avey, Luthans, & Youssef, 2010) and were selected on the basis of face validity for the broad sample and high reported frequency in Fox and Spector's (1999) work.

## 4. RESULTS

### 4.1. Descriptive Analysis

The demographic variables of the study are Gender, Age, Education, and Work experience. Total numbers of respondents were 411 with 74.9% (308) male and 25.1 % (103) female. Respondents' age ranged from 20-60 years (1=20-30, 2=31-40, 3 =41-50 & 4 = 51-60) with the age group 31-40 years reported the highest percentage (59.6/245) followed by 22.1 % (91) respondents in having age 41-50 years, 13.9 % (57) respondents having age between 20 -30 years and 4.4 % (18) respondents having age between 51-60 years. Most of our respondents were university graduates. 59.6% (245) respondents reported master level (16 years) of education, 28.7% (118) respondents reported Bachelor level (BA/B.Sc 14 years) education and 9.5 % (39) respondents reported postgraduate (MS/M. Phil-18 years) education. 47.9% (197) respondents possessed more than 10 years of experience, 30.4% (125) respondents possessed 7-10 years of experience, 12.4% (51) respondents possessed 4-6 years of experiences, and 9.2% (38) respondents possessed 1-3 years of experience.

Table # 1.1 depicts the Mean, Standard Deviation, Variance and Cronbach's Alpha of the variables of the study. PsyCap (M= 4.1, S.D = .457, & Variance = .209), Relational Contract (M = 3.86, S.D = .760, & Variance = .450), Transactional Contract (M = 2.72, S.D = .459, & Variance = .211), Organization Citizenship Behavior (M = 3.90, S.D = .430, & Variance = .180), In-Role-Performance (M = 3.94, S.D = .513, & Variance = .263), Counterproductive Work Behavior (M = 2.08, S.D = .832, & Variance = .694).

**Table # 1: Means, Standard Deviations and Reliabilities.**

	Mean	Std. Deviation	Variance	Cronbach's Alpha
PsyCap	4.10	.457	.209	.940
RC	3.86	.670	.450	.908
TC	2.72	.459	.211	.690
OCB	3.90	.430	.185	.857
In-Role-Performance	3.94	.513	.263	.751
CWB	2.08	.832	.694	.935

PsyCap= Psychological Capital, TC = Transactional Contract, RC = Relational Contract, OCB = Organization Citizenship Behavior & CWB =Counterproductive Work Behavior.

#### 4.2. Correlation Analysis:

The table No. 1.2 shows the results of correlation of the main variables of interest in this study. The results of the study reveal the correlation between psychological capital and employee behaviors and in-role-performance. There was a highly positive and significant relation between PsyCap and organization citizenship behavior ( $r = .756, p < .001$ ), in-role-performance ( $r = .629, p < .001$ ) of employees and negative correlation with counterproductive work behavior ( $r = -.507, p < .001$ ). These results provided support to our hypotheses no 1, 2, & 3.

Significant positive correlation has also been found between relational contract and organization citizenship behavior ( $r = .544, p < .001$ ), in-role-performance ( $r = .596, p < .001$ ), and negative correlation with counterproductive work behavior ( $r = -.488, p < .001$ ). The results show negative and significant association of transactional contract with organization citizenship behavior ( $r = -.389, p < .001$ ), in-role-performance ( $r = -.221, p < .001$ ), and positive and significant relationship with counterproductive work behavior ( $r = .386, p < .001$ ).

**Table # 2: Correlational Analysis:**

	PsyCap	Transactional Contract	Relational Contract	Supervisor Rated Performance	OCB	CWB
PsyCap	1					
Transactional Contract	-.433**	1				
Relational Contract	.662**	-.249**	1			
S R Performance	.629**	-.221**	.596**	1		
OCB	.756**	-.389**	.544**	.513**	1	
CWB	-.349**	.386**	-.332**	-.425**	-.410**	1

#### 4.3. Test of Direct Effect:

Hypothesis 1 predicted that PsyCap has positive association with OCB. The results in Table no. 3 showed that the direct effect of psychological capital on OCB was positively significant ( $\beta = .60, p = .000$ ). Therefore result supported hypothesis no 1.

Hypothesis 2 predicted that PsyCap has positive association with in-role-performance. The results in Table no. 3 showed that the direct effect of psychological capital on in-role-performance was positively significant ( $\beta = .67, p = .000$ ). Therefore result supported hypothesis no 2.

Hypothesis 3 predicted that PsyCap has negative association with CWB. The results in Table no. 3 showed that the direct effect of psychological capital on CWB was negatively significant ( $\beta = -.88, p = .000$ ). Therefore result supported hypothesis no 4.

#### 4.4. Moderating Analyses:

Moderated regression models were run to test the impact of moderating variables on the relationship between independent and dependent variables in such a way that control variables were entered Covariance followed by independent, dependent and moderators in model # 2 using the bootstrap technique suggest by Preacher and Hayes (Preacher and Hayes, 2008).



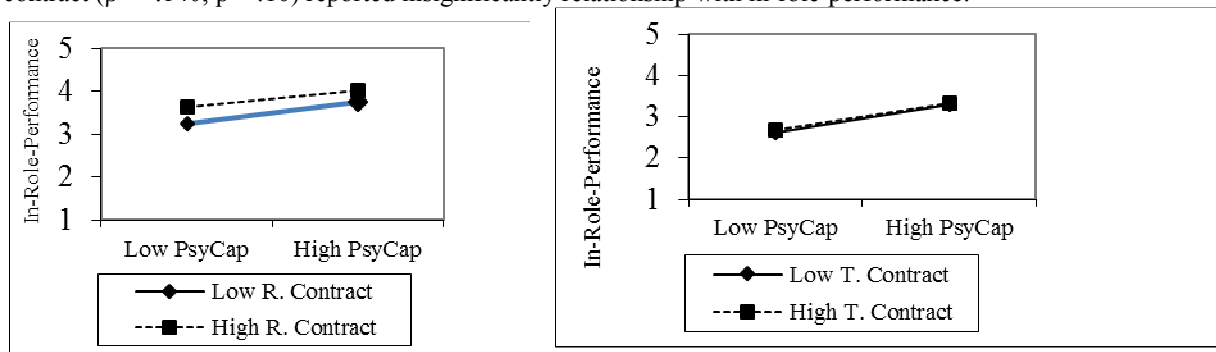
**Table # 3: Direct Effects of Psychological Capital with OCB, In-Role-Performance and CWB Relationship.**

Variables	<i>B</i>	<i>S.E</i>	<i>t</i>	<i>P</i>	<i>LLCL</i>	<i>ULCI</i>
Direct Effects						
Psychological Capital Regressed on OCB (Direct Effect)	.60	.039	15.55	.000	.37	.61
Psychological Capital Regressed on In-Role-Performance (Direct Effect)	.67	.056	12.04	.000	.41	.69
Psychological Capital Regressed on CWB (Direct Effect)	-.88	.101	-8.67	.000	-.89	-.54

Note. *n* = 411. Unstandardized regression coefficients are reported. Bootstrap sample size = 5,000. LL = lower limit; CI = confidence interval; UL = upper limit. Level of confidence for all confidence intervals in output: 95.0

**4.5. Interactive effects of Psychological Capital, Relational and Transactional Contract on In-Role-Performance:**

Hypothesis no 4 (a) and (b) predicts that Psychological contract type moderates the relationship between psychological capital and employees’ in-role-performance. Results of regression analysis of direct and indirect effect of psychological capital on employees’ in-role-performance are shown in table no. 4. Psychological capital ( $\beta = .767, p > .10$ ) have insignificantly positive impact on employees’ in-role-performance. Significantly positive relationship was found between relational contract ( $\beta = .530, p < .10$ ) and in-role-performance. Transactional contract ( $\beta = -.140, p > .10$ ) reported insignificantly relationship with in-role-performance.



**Figure No. 1: Transactional and relational Contract as a moderator between PsyCap and In-role-performance:**

The Relational Contract and Transactional Contract were both examined as moderators on the relationship between psychological capital and In-Role-Performance. This moderation was examined using “Model 2” in PROCESS. The values show that the overall model was significant ( $F=68.07, p=.0000$ ) accounting for 45 % of the overall variance in In-Role-Performance ( $R^2=.456$ ). The interaction terms of Relational Contract and Transactional Contract when regressed were not found to be significant with not confirming the moderating role of Relational Contract and Transactional Contract in the relation of psychological capital and In-Role-Performance with ( $p > 0.10$ ). Results show that the relationship between psychological capital and employees’ in-role-performance remained unchanged irrespective of type of psychological contract (relational or transactional). The results did not support hypothesis no. 4 (a) & (b).

**Table 4: Results for Main Effects and Moderated Regression Analyses for In-Role-Performance Model Summary**

<b>Model Summary</b>						
	<i>R</i>	<i>R</i> <sup>2</sup>	<i>F</i>	<i>df1</i>	<i>df2</i>	<i>P</i>
	.675	.456	68.070	5.0	405.0	.0000
<b>Path Coefficients</b>						
	$\beta$	<i>Se</i>	<i>t</i>	<i>P</i>	<i>LLCI</i>	<i>ULCI</i>
Constant	-.322	2.178	-.148	.883	-3.913	3.270
Step 1 Psychological Capital	.768	.524	1.465	.144	-.096	1.632
Step 2 Relational Contract	.530	.317	1.673	.095	.007	1.053
Transactional Contract	.142	.451	.316	.751	-.602	.887
Step 3 PsyCap X Relational Contract	-.067	.074	-.908	.364	-.190	.055
PsyCap X Transactional Contract	-.020	.108	-.191	.848	-.200	.158
<b>Interactions: PsyCap X Relational Contract and PsyCap X Transactional Contract</b>						
	<i>R</i> <sup>2</sup> -Changes	<i>F</i>	<i>df1</i>	<i>df2</i>	<i>P</i>	
PsyCap X Relational Contract	.0011	.824	1.0	405.0	.364	
PsyCap X Transactional Contract	.0000	.036	1.0	405.0	.848	
<i>Both</i>	.0014	.513	2.0	405.0	.598	

Level of confidence for all confidence intervals in output: 90.00

Note. N =411

**4.6. Interactive effects of Psychological Capital, Relational and Transactional Contract on Organization Citizenship Behavior (OCB):**

Hypothesis no 5 (a) & (b) predict that Psychological contract types moderate the relationship between psychological capital and organization citizenship behavior. Results of regression analysis of direct and indirect effect of psychological capital on organization citizenship behavior are shown in **table no. 5**. Direct effects of Psychological capital ( $\beta = .244, p > .10$ )

**Table 5: Results for Main Effects and Moderated Regression Analyses for OCB Model Summary**

<b>Model Summary</b>						
	<i>R</i>	<i>R</i> <sup>2</sup>	<i>F</i>	<i>df1</i>	<i>df2</i>	<i>P</i>
	.765	.585	114.61	5.0	405.0	.0000
<b>Path Coefficients</b>						
	$\beta$	<i>Se</i>	<i>t</i>	<i>P</i>	<i>LLCI</i>	<i>ULCI</i>
Constant	2.871	1.595	1.800	0.73	.241	5.501
Step 1 Psychological Capital	.244	.383	.636	.524	-.388	.876
Step 2 Relational Contract	.127	.232	.548	.583	-.255	.510
Transactional Contract	-.619	.330	-1.871	.061	-1.164	-.073
Step 3 PsyCap X Relational Contract	-.015	.054	-.274	.783	-.104	.074
PsyCap X Transactional Contract	.132	.079	1.665	.096	.001	.263
<b>Interactions: PsyCap X Relational Contract and PsyCap X Transactional Contract</b>						
	<i>R</i> <sup>2</sup> -Changes	<i>F</i>	<i>df1</i>	<i>df2</i>	<i>P</i>	
PsyCap X Relational Contract	.0001	.075	1.0	405.0	.783	
PsyCap X Transactional Contract	.0028	2.772	1.0	405.0	.096	
<i>Both</i>	.0055	2.688	2.0	405.0	.069	

Level of confidence for all confidence intervals in output: 90.00

Note. N =411

have insignificantly positive impact on organization citizenship behavior. Insignificantly positive relationship was found between relational contract ( $\beta = .127, p > .10$ ) and organization citizenship behavior and transactional contract ( $\beta = -.619, p < .10$ ) was significantly negative relationship with organization citizenship behavior.

The moderated regression analysis results using relational contract and transactional contract as moderators. This moderation was examined using “Model 2” in PROCESS. The values show that the overall model was significant ( $F=114.61, p=.0000$ ) accounting for 58 % of the overall variance in OCB ( $R^2= .58$ ). Non-significant results ( $\beta = -.015, P > .10$ ) were found in interactive effects of psychological capital and relational contract ( $\Delta R^2 = 0.001, F = .075, P = .783$ ) with organization citizenship behavior. Whereas transactional

contract interact significantly with psychological capital ( $\beta = .132, P < .10$ ). Significant results shown that the interaction effects of psychological capital and transactional contract ( $\Delta R^2 = 0.002, F = 4.08, P < .10$ ) with organization citizenship behavior. The relationship is significant but the value of change in R square ( $\Delta R^2$ ) is close to zero, therefore results show that the relationship between psychological capital and organization citizenship behavior were remained unchanged whether contract is relational or transactional. The results of the study were not supported over hypothesis no. 5 (a) & (b).

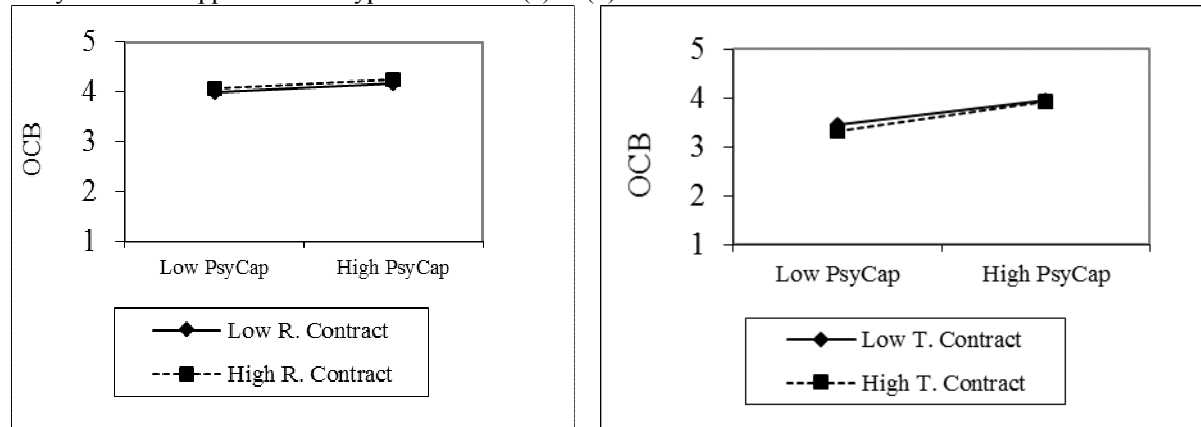


Figure No. 2: Relational and Transactional Contract as a moderator between PsyCap and OCB:

#### 4.7. Interactive effects of Psychological Capital, Relational and Transactional Contract on Counterproductive Work Behavior (CWB):

Hypothesis no 6 (a) & (b) predicts that Psychological contract type (Relational & transactional) moderate the relationship between psychological capital and employees' counterproductive work behavior. Results of regression analysis of direct and indirect effect of psychological capital, relational and transactional contract on employees' counterwork productive behavior are shown in table no. 6. Psychological capital ( $\beta = 1.87, p < .10$ ) have significant impact on employees' counterwork productive behavior. Significant relationship was also found between relational contract ( $\beta = 1.08, p < .10$ ) and counterwork productive behavior. The relationship between Transactional contract and counterwork productive behavior was significant ( $\beta = 1.99, p < .10$ ).

Table 6: Results for Main Effects and Moderated Regression Analyses for CWB

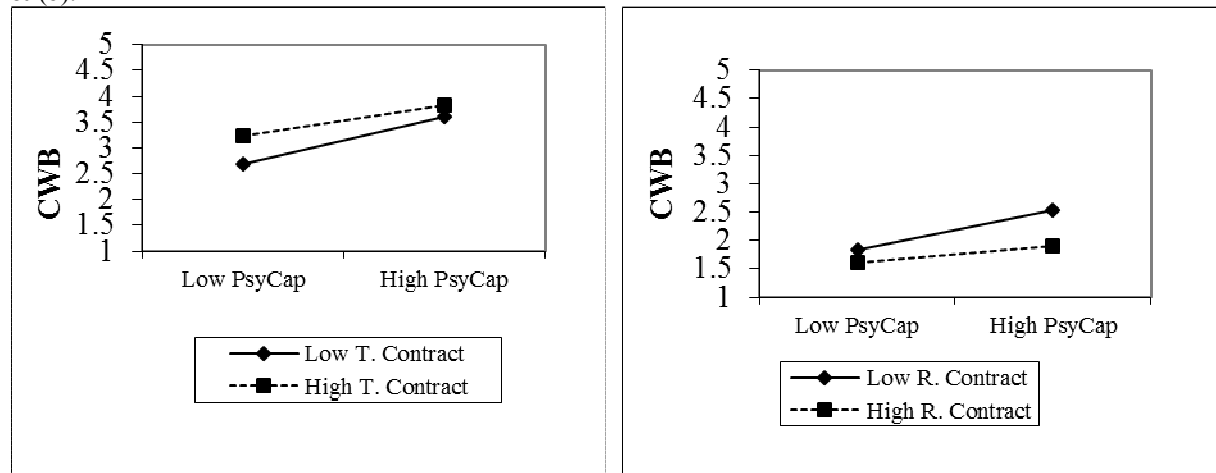
Model Summary						
	<i>R</i>	<i>R</i> <sup>2</sup>	<i>F</i>	<i>df1</i>	<i>df2</i>	<i>P</i>
	.590	.348	43.35	5.0	405.0	.0000
Path Coefficients						
	<i>B</i>	<i>Se</i>	<i>T</i>	<i>P</i>	<i>LLCI</i>	<i>ULCI</i>
Constant	-5.491	3.872	-1.418	.157	-11.874	.892
Step 1 Psychological Capital	1.875	.931	2.013	.044	.339	3.410
Step 2 Relational Contract	1.086	.563	1.928	.054	.157	2.015
Transactional Contract	1.992	.802	2.480	.013	.669	3.316
Step 3 PsyCap X Relational Contract	-.342	.132	-2.589	.010	-.560	-.124
PsyCap X Transactional Contract	-.384	.193	-1.989	.047	-.702	-.065
Interactions: PsyCap X Relational Contract and PsyCap X Transactional Contract						
	<i>R</i> <sup>2</sup> -Changes	<i>F</i>	<i>df1</i>	<i>df2</i>	<i>P</i>	
PsyCap X Relational Contract	.0108	6.705	1.0	405.0	.010	
PsyCap X Transactional Contract	.0064	3.956	1.0	405.0	.047	
Both	.0112	3.492	2.0	405.0	.031	

Level of confidence for all confidence intervals in output: 90.00

Note. N=411

The moderating role of relational and transactional contract on the relationship between psychological capital and CWB. This moderation was examined using "Model 2" in PROCESS. The values show that the overall model was significant ( $F=43.35, p=.0000$ ) accounting for 34 % of the overall variance in CWB ( $R^2=.34$ ). Interactive effect of psychological capital and relational contract ( $\Delta R^2 = 0.010, F = 6.70, P < .10$ ) and interactive effect of psychological capital and transactional contract ( $\Delta R^2 = 0.006, F = 3.95, P < .10$ ) on counterproductive work behavior were significant. Results show that interactive effects of psychological capital and psychological

contract types (relational and transactional contract) on employees' counterproductive work behavior were moderated by psychological contract types such that the relationship. As interaction terms brought significant effects, hence, confirming the moderating roles of Relational Contract ( $p=.010$ ) and Transactional Contract ( $p=.047$ ) on the relation between psychological capital and CWB. The results support over hypothesis no. 6 (a) & (b).



**Figure No. 3:** Relational and transactional Contract as a moderator between PsyCap and CWB.

## 5. DISCUSSION AND CONCLUSION:

The main objective of the study was to analyze the impact and influence of positive psychological resource (PsyCap) on employees' and behavior (OCB & CWB) and in-role performance. Based on self-determination theory and broaden-and-build theory, the impact of Psychological Capital on the relationship with employees' behaviors (organization citizenship behavior, and counterproductive work behavior) and in-role-performance have been studied. Based on Social Cognitive theory, this study also explores the moderating role of psychological contract types between the relationship of psychological capital and employees behaviors and in-role-performance.

Results of the study support the positive relationship between Psychological Capital on the relationship with employees' behaviors (organization citizenship behavior, and counterproductive work behavior) and in-role-performance. The positive relationship with PsyCap substantiates the underlying assertion that more strong and advanced level psychological resources further motivate employees to exhibit positive behavior in such a way that when basic psychological resource are develop, such as PsyCap (hope, optimism, self-efficacy, resilience), that further motivate employees' positive attitude and behavior.

The results of the study are also in congruence with the previous studies, which reported positive significant relationship between PsyCap and in-role performance (Luthans, Norman, Avolio and Avey, 2008; Avey, Reichard, Luthans & Mhatre, 2011; Luthans, Norman, Avolio & Avey, (in press); Luthans, Avey, Clapp-Smith & Li, 2008; Avey, Nimnicht & Pigeon, 2009; Luthans et al, 2010).

The study also found positive significant relationship between PsyCap and OCB. This supports the findings of existing studies, which reported positive relationship between PsyCap and OCB (Avey, Wernsing and Luthans, 2008; Avey, Reichard, Luthans & Mhatre, 2012; Norman, Avey, Reichard, Luthans and Mhatre, 2011; Norman, Avey, Nimnicht & Pigeon, 2010). Avey, et. al. (2010) also suggested that those higher in PsyCap are more likely to engage in highly desirable extra-role behaviors that are so beneficial to today's organizations. Result shows that those who are higher in PsyCap engage in not only more desirable behaviors (OCBs) but also fewer undesirable CWBs.

To explore the moderating role of psychological contract (relational, transactional), it has been theorized that psychological contract type would moderate the relationship between PsyCap and behaviors (OCB, & CWB) and in-role performance. Results of the investigation show that psychological contract moderates the relationship of PsyCap with CWB. Whereas, in the case of CWB, significant difference between both types of psychological contract has been found in such a way that moderating impact of relational contract is higher than transactional contract. This shows that committed employees prefer to continue with the organization and have fewer intentions to switch over. Results of the study also support the findings of previous studies, which state that relational contract being a source of ensuring more job security as compared to transactional contract enhances commitment (Cavanaugh & Noe, 1999; Lester et al., 2002; Robinson et al., 1994; Rousseau, 1990; Turnley & Feldman, 1999), which further lowers turnover intentions (Bal & Kooij, 2011).

The results of the study, however, do not support the moderating impact of psychological contract type

on the relationship of PsyCap with in-role performance, and OCB. This might be due to the reason that Pakistan is a developing country and its economy has not matured yet. With increasing number of educated youth, demand of jobs is on rise, whereas, market lacks the potential to absorb them all. To retain the job, individuals have to work hard irrespective of the type of contract offered. Furthermore, job structure in telecom sector of Pakistan is mostly contractual. The continuation of the contract for another period depends upon individual's performance. The employees thus have only one type of contract type. This might be another reason behind the findings of the study, which do not substantiate moderating impact of psychological contract type.

## 6. Practical Implications:

Results of the study generated various useful implications. Significant contribution of PsyCap in organization by influencing performance of employees, work attitudes and behavior at their work which results in achieving the competitive advantages by organizations. According to results of the study, it is very much crucial to consider the psychological capital of employees in order to understand that it is very useful in supporting organizational climate which is positive and can play role positive employees work behavior and performance.

Furthermore, results of this study provide help managers to induce several practices. Luthans and his colleagues had designed a PsyCap Intervention training model which helps in developing PsyCap (Luthans, Avey, Avolio, Norman, & Combs, 2006) and its usefulness in working people was empirically tested on 2-hour online exercise, which results supported idea that PsyCap can be developed in short time interval.

## 7. Limitation and Future Directions:

There are few limitations of the study. Firstly, this study is limited by the sample characteristics as it was conducted amongst employees drawn from the Telecom sector companies. The participants were predominantly male. It is not known whether the results would be applicable to other contextual settings or organizations. Whether the findings can also be generalized for other contexts, like other type of organizations, for mixed samples, should therefore be explored in further studies.

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