

**THE RELATIONSHIP BETWEEN AUTHENTIC LEADERSHIP AND EMPLOYEE  
PSYCHOLOGICAL CAPITAL IN AN ORGANISATION WITHIN THE FAST  
MOVING CONSUMER GOODS FOOD INDUSTRY (FMCG), WESTERN CAPE**

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## ABSTRACT

The recent economic situation in South Africa including the weak rand has led to a number of problems within the workplace including, retrenchment, unemployment, protracted strikes, decrease in motivation and fear of being jobless (Du Plessis & Barkhuizen, 2012). Instead of focusing on how the economy negatively affects employees with regards to their burnout, stress and job insecurity, organisations need to take a more positive approach and consider how individuals persevere through challenging times and still maintain a high sense of work performance.

Recently that notion has changed as organisations moved their focus to positive organisational psychology. The positive psychology movement was spearheaded by Martin Seligman (Luthans, 2002). Seligman who was the American Psychology Association President began to understand and realised that little focus was given to the individual's strength and that was how the positive psychology movement started (Luthans, 2002).

Authentic leadership studies the leader's transparent and genuine leadership style. Authentic leadership is an important leadership characteristic as the employees will start to trust their authentic leaders and hence the leader will be more likely to role-model behaviours that include hope, efficacy, resilience, and optimism, which form the core dimensions of psychological capital. The study will establish whether the leader's leadership style has an impact on the employee's psychological capital.

Data was collected through the psychological capital questionnaire (PCQ) the authentic leadership questionnaire (ALQ) and a biographical questionnaire. Probability sampling was used to gather the data of the present study. The data was analysed using statistical package for social science (SPSS).

The study found that there was a relationship between authentic leadership and the three dimensions of psychological capital (hope, efficacy, and optimism). The dimension of resilience had no correlation with authentic leadership, which means that the leader's leadership style does not influence or motivate the employee to be resilient. From the findings, it is evident that the organisation needs to focus more on the authentic leadership behaviours and resilience of employees. This is likely to assist the organisation with improving retention and engagement of employees.



## Declaration

I declare that this thesis “*The relationship between authentic leadership and psychological capital in an organisation within the fast moving consumer goods (FMCG) food industry, Western Cape*” is my own work, and that the resources I have used or quoted have been indicated and acknowledged by complete reference.



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Rochelle Africa

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## **Chapter 1:**

### **1. Introduction and overview**

#### **1.1 Introduction**

Organisational theories have mostly emphasised negative approaches such as mental illness and dysfunctional behaviour of individuals at work (Barkhuizen & Du Plessis, 2011). The focus was mainly around “what went wrong” within the organisation, and how these dysfunctional behaviours could be fixed (Barkhuizen & Du Plessis, 2011). Recently that notion has started to change as some organisations moved their focus to positive organisational psychology. The focus has become about keeping competent and hardworking individuals in the organisation; especially in the competitive working environments organisations find themselves.

South Africa like other countries, face economic difficulties and organisations have to consider alternative ways to remain productive. The recent economic situation in South Africa, including the weak rand, has led to a number of problems within the workplace including, retrenchment, unemployment, protracted strikes, decrease in motivation and fear of being jobless (Barkhuizen & Du Plessis, 2011). The constant uncertainty in the workplace affects the employees’ psychological state of mind as employees are expected to perform at a quicker pace in terms of their key performance areas but still receive fewer opportunities regarding promotion, salary increase and job security (Bosman, Rothmann & Buitendach, 2005). Instead of focusing on how the economy negatively affects employees concerning their burnout, stress and job insecurity, organisations need to take a more positive approach and consider how individuals persevere through challenging times and still maintain a high sense of work performance.

Psychological capital (PsyCap) and authentic leadership are two approaches that focus on the positive strengths employees bring to the organisation. The theory of PsyCap focuses on “who you are” as a person by considering four dimensions which are confidence (self-efficacy), hope, optimism and resilience (Luthans, Luthans, & Luthans, 2004).

Authentic leadership studies the leader’s transparent and genuine leadership style. Authentic leadership is an important leadership characteristic as the employees will start to trust their authentic leaders and hence the leader will be more likely to role-model behaviours that include hope, efficacy, resilience, and optimism. This is likely to influence the development of employee PsyCap. Empirical research has shown that high levels of psychological capital will affect employee performance in the organisation in a positive way (Luthans, Avolio, Avey, & Norman; Robbins, Judge, Odendaal, & Roodt 2009).

## **1.2 Setting the context for the study**

### 1.2.1 Positive organisational psychology

Mainstream psychology has for years been focused on what is wrong with people and developed various theories and solutions on how to correct the problems associated with the people studied (Wong, 2011). The psychology movement showed little interest in individuals with high levels of progress, development and self-actualisation (Luthans et al., 2007). This school of thought soon changed when a psychologist named Martin Seligman and other psychologist moved towards positive psychology which concentrates on the positive well-being of the individual and how individuals are able to flourish and continuously develop under difficult circumstances (Avey, Avolio, Luthans & Peterson, 2010; Luthans et al., 2007). Tripathi (2011) suggest positive psychology considers the growth and strength of individuals’ and the balance of focus shifted to what is right with individuals, rather than what is dysfunctional about individuals.

Within the notion of positive psychology, a new approach developed, which is mainly concerned with the individual's behaviour at work, known as positive organisational behaviour (POB). Accord to Tripathi (2011) and Luthans (2002) POB considers how individuals' psychological strength can be effectively managed, measured, developed and improved to enhance performance in the workplace. This theory, as with positive psychology shifts the emphasis away from negative aspects individuals experience at work such as burnout, stress, resistance to change and dysfunctional behaviour and rather concentrates on the positive aspects the individual experiences in the workplace (Luthans, 2002).

### **1.3 Variables within the study:**

#### 1.3.1 Psychological capital

PsyCap is a recent branch of knowledge. This approach focuses on the positive mental state of an individual's development (Zamahani, Ghorbani, & Rezaei 2011). This theory derived from various theories such as motivation, cognitive processing, striving for success and performance in the workplace and positive psychology (Peterson, Luthans, Avolio, Walumbwa, & Zhang, 2011). PsyCap focuses on "who you are" and "who you are becoming" as an individual (Luthans, Avey, Norman, Combs, & Avolio 2006, p. 388). In PsyCap, an individual's psychological strengths consist of four dimensions that are hope, resilience, self-efficacy, and optimism (Toor & Ofori, 2010; Zamahani et al., 2011).

Hope is an "empowering way of thinking" (Luthans et al., 2010, p. 44). The theory of hope was formulated on the assumption that individuals in general are goal orientated and individuals behave in a specific way to achieve those goals. Resilience is an individuals' strength to overcome the undesirable experiences that they encounter on a daily basis.

Resilience, according to Luthans et al. (2007), is the ability to bounce back from extremely

stressful situations as well as the ability to manage increased responsibility, positive events, and positive changes in an individual's life.

Self-efficacy is the component with the most extensive research and support within the PsyCap theory. Self-efficacy is the ability to assemble the motivation, mental resources, and action plan that is necessary to execute a task within a given context (Luthans et al., 2007). Robbins et al. (2009) further states self-efficacy is the confidence an individual exhibit in performing a given task. Optimistic individuals believe that even a bad situation will result in positive outcomes. According to Luthans et al. (2010), optimistic individuals “expect good thing to happen to them” whereas pessimistic individuals “expect bad things to happen to them” (p. 45).

#### 1.3.2 Authentic leadership:

Positive theories, such as organisational behaviour, transformational leadership, and ethical leadership were the theoretical framework for authentic leadership (Ozkan & Ceylan, 2012). Authentic leadership, introduced in the late 1970s, consists of self-awareness of the leaders as well as self-regulated behaviour that produces self-development (Cummings & Wong, 2009; Zamahani et al., 2011). Hassan and Ahme (2011) and Avolio and Gardner (2005) further postulates that authentic leaders are aware of their behaviour, they are self-motivated, they are transparent and make decision based on their morals, values and strengths.

The four dimensions of authentic leadership are self-awareness, relational transparency as well as internalised moral perspective and balanced processing which separates the theory from other positive psychological frameworks (Zamahani et al., 2011). Authentic leadership theories differ from other frameworks as it considers the development of employees, in terms of their goals, strength, weaknesses, and developmental areas.

Self –awareness is a developmental process where an individual constantly tries to understand their own strengths, weaknesses, values, identity, emotions and goals and the impact they have on other individuals (Baron & Parent, 2014). In developing self-awareness, leaders are trying to understand themselves, including their desires and their purpose in life (Avolio & Gardner, 2005).

Relational transparency relates to the openness and genuine interaction with individuals. It is the sharing of true thoughts and feelings about one's self with individuals (Ozkan & Ceylan, 2012). Transparency leads to trust, intimacy, teamwork, and co-operation with employees because of the leader's self-disclosure (Zamahani et al., 2011).

Internalised moral perspective is an internal process where the leader identifies their goals, motives, and values to their followers by aligning their vision with the companies intended objectives (Giallonardo, Wong, & Iwasiw, 2010; Zamahani et al., 2011). Lastly, balanced processing involves a leader being objective and considering all relevant information before making important decisions ( Valsania, Moriano Leon, Molero Alonso, & Topa Cantisan, 2012) Balanced processing will assist the leader in making the right decisions and taking relevant strategic action as this is the centre of an individual's integrity(Valsania et al., 2012; Zamahani et al., 2011).

#### **1.4 Problem Statement**

Currently many organisations face dilemmas regarding their workforce in a public and private sector. Many organisations are considering ways to retain their workforce and still compete with other organisations throughout the world. Organisations continuously face implementing strategies that could lead to maximum effectiveness in the organisations performance.

The Manufacturing industry is a fast-paced industry with immense pressure from competitors as well as stakeholders. Employees need to continuously produce quality products at a competitive rate and maintain the organisations high standards (Bala & Kumar, 2011). The management team and leaders constantly have to maintain employee morale while increasing their workload and decreasing company turnover. This place a vast amount of strain on an individual both physically, mentally and emotionally and may eventually lead to burnout, stress or the individual resigning.

It is in situations like these that leadership has become imperative in organisations, as employees need support both psychologically and emotionally. An increase in positive psychological capital will assist individuals in staying hopeful and optimistic, whilst being resilient to the changes they face. As these psychological strengths interplay, the individual will become more self-efficient and improve their performance in troubling times (Avolio & Gardner, 2005). In a study by Avey, Clapp-Smith, & Vogelgesang (2009) it has shown that PsyCap negatively relates to intention to quit. The study-undertaken focuses on authentic leadership and its ability to increase the individual's psychological capital within the organisation. Moreover, it measures what the employees think of their leader's leadership style and whether it has an impact on their psychological capital.

### **1.5 Research Question**

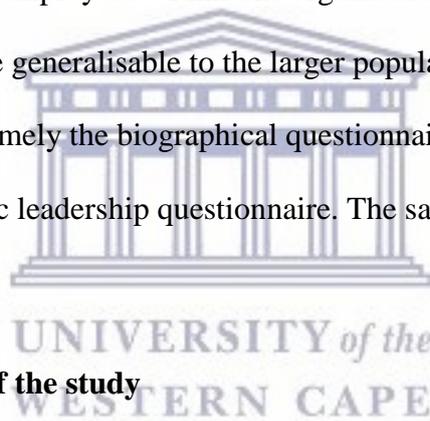
The research problem: "To what extent does authentic leadership influence psychological capital of employees in an organisation within the fast-moving consumer goods (FMCG) food Industry, in the Western Cape?"

## **1.6 Research objective**

- To determine the level of psychological capital of employees.
- To establish whether authentic leadership has a positive influence on the employee's self-efficacy, hope, optimism, and resilience, as well as their total level of psychological capital.
- To provide recommendations for the manufacturing industry on developing psychological capital and authentic leadership in their organisations.

## **1.7 Scope of the study**

The study conducted amongst employees within one organisation in the FMCG industry and therefore, the results cannot be generalisable to the larger population. The data was collected by means of questionnaires namely the biographical questionnaire, the psychological capital questionnaire and the authentic leadership questionnaire. The sampling technique used were probability sampling.



## **1.8 Potential contributions of the study**

The study will contribute to the literature on psychological capital and authentic leadership. It will also add to the literature in a South African context about psychological capital and authentic leadership and more so in the FMCG industry sector in South Africa. The research organisation recently experienced a change in management and organisational design and experienced resistance from top management as well as the workers in the factory. This study will assist leaders to identify whether their authentic leadership style explains some of the variance in employee psychological capital.

## **1.9 Framework for the present study**

**Chapter 1** is an outline of the study. The areas that are covered are the objectives and potential contributions and scope of the study.

**Chapter 2** will be the literature survey that focuses on the origins of psychological capital and authentic leadership and goes in depth in defining the constructs, the origins thereof and their relationships with other organisational variables.

**Chapter 3** discusses the research methods to be used. It will take an in depth look at the sampling technique, data collection method, research instruments and statistical analyses.

**Chapter 4** reports the results of the study and whether the scales used are reliable for the sample used in the present study. Furthermore, the study will provide, graphs, diagrams, pie – charts, histograms tables, frequencies and percentages where applicable to present the data.

**Chapter 5** will consist of interpretations and conclusions about the findings. Furthermore, recommendations on the results found in chapter four are going to be established. Chapter 5 will furthermore discuss the limitations and recommendations on how to overcome these obstacles.

## **1.10 Conclusion**

This chapter gave a brief overview of the study. It focused on the different variables of the study that is psychological capital and authentic leadership. The chapter also described the different dimensions within the variables. Furthermore, the research objective, scope of the study as well as the potential contributions of the study was outlined. The following chapter is the literature review that will mainly focus on PsyCap and authentic leadership.

## Chapter 2

### 2. Literature review

#### 2.1 Introduction

Martin Seligman spearheaded the positive psychology movement (Luthans, 2002). Seligman who was the American Psychology Association President began to understand and realise that little focus was given to the individual's strength and that was how the positive psychology movement started (Luthans, 2002). The focal points of this movement was to develop theoretical frameworks and methodology that will promote factors that will allow individuals, groups, community and organisations to prosper (Luthans, 2002, p 58). PsyCap and authentic leadership are discussed as variables that can be seen as some of these factors.

This chapter will start with a discussion of the FMCG industry. The focus will then be on the origin of PsyCap and focus more on the various dimensions within PsyCap, which are, hope, self-efficacy, optimism, and resilience. It will also look at authentic leadership as a framework and the various dimensions of authentic leadership as well as the relationship between authentic leadership and PsyCap in the work place.

#### 2.2 FMCG background

The FMCG is a fast-moving agile industry and managers are continuously facing challenges. The challenges include economic challenges such as exchange rate and the hike in inflation and food prices (Bala & Kumar, 2011). FMCG is one of the largest industries in the world and focuses mainly on personal care, packaged food, beverages, spirits, and Tobacco (Bala & Kumar, 2011). FMCG is also a vulnerable industry as it is very customer orientated and customer complaints can damage a company's image. The FMCG industry is plagued by long working hours, high absenteeism rates, high turnover, and burnout. In study conducted-on

counsellors on the effects of self-efficacy, psychological capital and job satisfaction, the study found that there was a negative correlation between psychological capital and burnout (Aliyev & Tunc, 2015). Hence, employees with higher levels of PsyCap are less likely to experience burnout in the FMCG industry.

With these issues, it is imperative that there is strong sense of leadership and a good relationship between manager and employee to find suitable and appropriate solutions. According to Luthans et al. (2015), average performance is no longer sustainable in a highly competitive business environment. Organisations need to consider and have a proactive approach to positively influencing the workplace and place more emphasis on what works for the company, which could include the people, salary packages, work environment, and working hours to enhance and get the best out of employees.



### **2.3. Origin of psychological capital**

The negative focus and relentless research on human behaviour resulted in little understanding of human strengths (Luthans, Youssef, & Avolio, 2007). However, psychologist moved towards positive psychology, which concentrates on the positive well-being of the individual and how individuals are able to flourish and continuously develop under difficult circumstances.

Martin Seligman and other psychologist redirected the research of psychology to focus on “healthy people becoming happier and more productive and actualising human potential”. This train of thought lead to empirical research to what is known as positive psychology (Luthans et al., 2007, p9). Tripathi (2011) further suggest positive psychology considers the

growth and strength of individuals and the balance of focus shifted to what's right with individuals rather than what are dysfunctional about individuals.

From the notion of positive psychology, a new approach developed, which focuses on the individual's behaviour at work, also known as positive organisational behaviour (POB). According to Tripathi (2011), POB considers how individuals can effectively manage and improve performance in the workplace. Luthans, Morgan and Avolio (2015) further defines POB as psychological capacities that can be measured, developed and managed to enhance and improve the individuals' workplace.

#### **2.4. Psychological Capital and its dimensions**

Psychological capital (PsyCap) forms the core construct of POB. PsyCap focuses on the positive mental state of an individual's development (Zamahani et al., 2011). The theory is derived from various other theories such as motivation, cognitive processing, striving for success and performance in the workplace and positive psychology (Peterson et al, 2011).

PsyCap focuses on “who you are” and “who you are becoming” as an individual (Luthans et al., 2006, p. 388)

PsyCap measurement differs from other positive organisational research as it follows certain criteria. This is for any positive psychological capacity to be part of PsyCap it should relate to the field of psychology in a new and positive way. It should be researched as well as theory based, it should be measurable, it should not be static in nature meaning it should be state-like and open to change and development, and it should have a positive influence on the sustainability of work performance (Luthans et al, 2015; Toor & Ofori, 2010; Zamahani et al., 2011). In PsyCap, an individual's psychological development is based on four states, which are hope, resilience, self-efficacy, and optimism (Toor & Ofori, 2010; Zamahani et al., 2011).

### 2.4.1 Hope

Hope is an “empowering way of thinking” and the construct of hope primarily stems from the work of psychologist Rick Schneider’s extensive research and theory building on hope. The theory of hope is formulated on the assumption that individuals in general are goal orientated and individuals behave in a specific way to try to achieve those goals (Luthans et al., 2010, p. 44).

The theory of hope is based on two components, the one being will power or agency and the other being pathway. Will power is the drive and determination an individual has towards attainment of a goal. Pathway is the psychological resource which supports the individual in finding various pathways to attaining the goal and not just a singular pathway (Avey, Clapp-Smith, & Vogelgesang, 2009; Luthans et al., 2010; Zamahani et al., 2011). The will power to be better and achieve goals continuously motivate individuals to always search for new pathways to accomplish these goals and the development of new trials gives an individual the sense of control and a boost of energy which in the end uplifts the individuals hope (Luthans et al., 2007). Hope considers how employees identify, clarify, and plan to attain goals to flourish in organisations.

To encourage hope in the workplace there are a few guidelines organisations can implement.

Firstly, clear and achievable goals need to be established. These goals need to be clear and broken down into reasonable periods with clear action plan (Church & Luthans 2002).

Example when giving an employee a task to implement a new payroll system the employee should know the long-term period when the entire project should be completed in terms of months and years. These long-term goals need to be broken up into short term periods in the first three months the employee should have researched various payroll providers that best suit the organisation’s needs. Having clear and realistic goals will lead to the employee being more hopeful to achieve and accomplish their task to the best of their ability.

### 2.4.2 Resilience

Resilience is an individual's internal characteristic and strength to overcome the undesirable experiences, which they encounter on a daily basis. Resilience according to Luthans et al. (2007) is the ability to bounce back from extremely stressful situations as well as the ability to manage increased responsibility, positive events, and positive changes in an individual's life.

Clapp-Smith (2009) further postulates resilience is reactive rather than proactive, meaning the level of resilience in an individual is in response to an event regardless of whether the event is negative or positive. This makes resilience different from the other PsyCap components.

The research of resilience stems from work done by clinical psychologists where they mainly focused on assets and risk factors, which are the two most important components in resilience (Luthans et al., 2010). According to Luthans et al. (2007) and Luthans et al. (2010) assets are the internal characteristics an individual hold which allows them to overcome the most hostile circumstances. Risk factors, however, include the dysfunctional experiences that could have a negative impact on an individual's psychological, emotional, and mental state of mind. Resilient individuals usually are very realistic, have strong values and a strong willpower to overcome significant changes in their life (Zamahani et al., 2011). For example, how does an individual experiencing rapid organisational change remain resilient?

Alternatively, how does an employee working long hours remain resilient? What are the characteristic that allows them to overcome the most hostile situations? These are questions organisations should be asking instead of trying to develop resilience within employees.

### 2.4.3 Self-efficacy

This is the component with the most extensive research and support within the PsyCap theory. Self-efficacy or confidence is the ability to assemble the motivation, mental

resources, and action plan that are necessary to execute a task within a given context (Luthans et al., 2007). Robbins et al. (2009) further states self- efficacy is the belief an individual has in their ability to perform a given task. The higher the level of self-efficacy the more an individual will succeed in a task. Individuals with low confidence will have difficulty completing a task and give up altogether.

According to Luthans et al. (2007), confident individuals set themselves high goals. They nominate themselves into difficult tasks and enjoy challenges. They devote a great amount of effort to accomplish tasks and they endure regardless of the level of difficulty.

Albert Bandura the founder of self-efficacy theory proposed four ways an individual's confidence can be increased. Firstly, a person needs task mastery where he/she gains the necessary experience to perform a job successfully and if they are able to succeed, they will have the confidence to complete the job in future (Robbins et al., 2009). Secondly is vicarious modelling, here an individual becomes more confident by observing others succeed in a given task. The impact of modelling depends on whether the individual sees him/herself similar to the individuals they are observing. The more similar the role the more confident the individuals becomes in their own ability to accomplish similar tasks (Robbins et al., 2009).

Thirdly, verbal persuasion plays a role where individuals are constantly motivated and reminded they have the ability and skills to be successful. Lastly, arousal can improve self-efficacy where the individual gets stimulated to complete a given task because they were motivated and encourage to be successful (Robbins et al., 2009; Luthans et al., 2010).

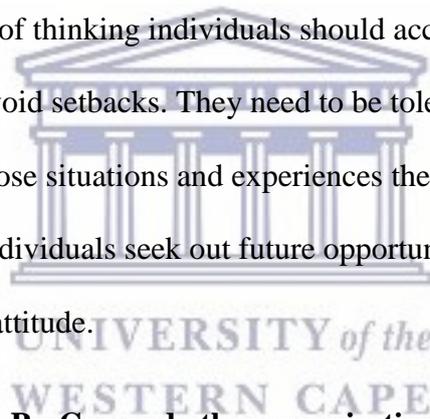
According to Luthans and Church (2002), individuals with self-efficacy are more likely to display positive choices concerning work assignments; they will be more motivated to complete tasks successfully and will show resilience in challenges given to them.

#### 2.4.4 Optimism

Optimistic individuals believe that even a bad situation will result in positive outcomes.

According to Luthans et al. (2010), optimistic individuals “expect good things to happen to them” whereas pessimistic individuals “expect bad things to happen to them” (p. 45). Clapp-Smith et al. (2009) further states optimistic individuals remember positive events and try to forget negative events. This is known as the attribution framework of optimism. The other theoretical framework of optimism is expectancy where individuals believe good outcomes will result if they increase their effort in the workplace. Positive expectancy will continuously allow individuals to exert effort in their workplace and their persistence will result in a high level of performance (Luthans et al., 2010).

To develop an optimistic way of thinking individuals should accept past failures and try to learn from past decisions to avoid setbacks. They need to be tolerant and happy with their present life, which includes those situations and experiences they can control as well as those that they cannot. Optimistic individuals seek out future opportunities and approach the future with a positive and confident attitude.



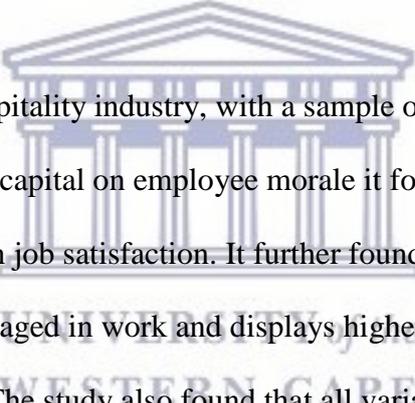
#### **2.5 The relationship between PsyCap and other organisational variables**

One of the outcomes of PsyCap is performance. Performance identifies whether the individual does their work properly and to the best of their ability (Zamahani et al., 2011). If the individual has high levels of self- efficacy, optimism, hope and resilience they are more likely to perform better in their job, have a clear career path, will be more innovative, and work better within a team environment as well as on their own (Zamahani et al., 2011). In a study conducted at a financial firm regarding psychological capital and performance there was a positive correlation to the employees’ performance (Avey, Nimnicht, &Pigeon, 2010).

There have been significant studies conducted on PsyCap and other organisational variables and some of these studies will be discussed below.

In a study conducted on counsellors on the effects of self- efficacy, psychological capital and job satisfaction there was a positive correlation found of 0.97 between PsyCap and job satisfaction (Aliyev & Tunc, 2015). The same study found that there was a negative correlation between psychological capital and burnout as well as job satisfaction and burnout.

Another study done by Hansen, Buitendach, and Kanengoni (2015) on educators on the effects of psychological capital, job satisfaction, and burnout with a sample of 102 found that there was a positive relationship between psychological capital and burnout with a correlation of 0.62.



In a study conducted in the hospitality industry, with a sample of 312 that researched work engagement and psychological capital on employee morale it found that work engagement partially mediates the effects on job satisfaction. It further found that front line employees with high PsyCap are more engaged in work and displays higher job satisfaction (Paek, Schuckert, Kim & Lee, 2015). The study also found that all variables had a Cronbach alpha correlation above 0.70. The PsyCap variables all had a positive correlation of between 0.70 and 0.86. Work engagement had a Cronbach alpha coefficient of 0.90 and job satisfaction with a Cronbach alpha coefficient of 0.87.

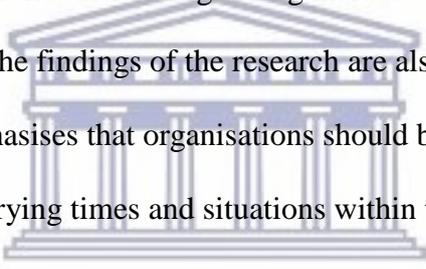
PsyCap studies in South Africa still require more research in the various sectors within the work environment. In a study done on PsyCap and resistance in a government organisation it was concluded that PsyCap was positively related to organisational change behaviour with a 0.62 correlation. The research further states that PsyCap is an important factor for change management (Beal, Cole, & Stravros, 2013).

In another study by Simon and Buitendach (2013) conducted amongst call centre employees' high levels of consistency between PsyCap and work engagement with a 0.73 correlation was found. There were also stronger relations between work engagement and PsyCap than PsyCap and organisational commitment.

Another study done on accredited South African Board for People Practice members found that HR practitioners had a high level of all the dimensions which are, hope, optimism, resilience and self-efficacy measured with the correlation being between 0.77 and 0.80. It, furthermore, found that employees in top management levels had higher self -efficacy (Barkhuizen, & Du Plessis, 2011).

From these examples, it is clear that there is a growing increase in the research studies on PsyCap within South Africa. The findings of the research are also positive and adds to other empirical research which emphasises that organisations should be more focused on how employees persevere through trying times and situations within the organisation.

## **2.6 Authentic leadership:**



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To understand authentic leadership, it is necessary to first define authenticity. Authenticity stems from the ancient Greek times and is defined as “to thine own self be true”, authentic means originality, genuine, reliable and trustworthy (Ozkan, & Ceylan, 2012, p. 101).

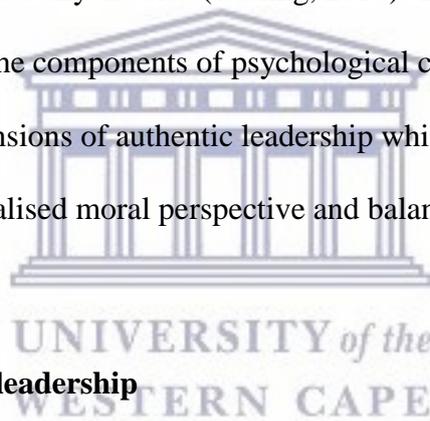
According to Alok (2012) authenticity considers the similarities between who you are and what you do, it is the genuine behaviour displayed by an individual. A genuine individual believes in his or her own ability to accomplish tasks without feeling pressured to change their values and morals, irrespective of the demands from society (Ozkan, & Ceylan,2012).

Positive theories like organisational behaviour, transformational leadership, and ethical leadership were the theoretical framework for authentic leadership (Ozkan, & Ceylan, 2012).

Authentic leadership was introduced in the late 1970s. Authentic leadership consist of self-awareness as well as self-regulated behaviour that produces self-development (Cummings, & Wong, 2009; Zamahani et al., 2011). Hassan (2011) and Avolio and Gardener (2005) further postulates that authentic leaders are aware of their behaviour, they are self-motivated, they are transparent and make decision based on their morals, values and strengths.

Authentic leaders are not only concerned about their own personal growth but are concerned about their followers' growth as they try to encourage and motivate individuals to a higher purpose in life to promote their positive psychological capabilities (Zamahani et al., 2011).

Authentic leadership is about being yourself and encouraging your team to find his or her true authentic selves and not replicate anyone else (Gatling, 2014). The theory lacked definition as many authors felt it included the components of psychological capital and this lead to the development of the four dimensions of authentic leadership which is self-awareness, relational transparency, internalised moral perspective and balanced processing (Zamahani et al., 2011).



## **2.7 Dimensions of authentic leadership**

### **2.7.1 Self-awareness**

Being conscious of how you act and behave around others and learning from failures and turning them into positive experiences as well as having knowledge of your strength and weakness is important for an authentic leader (Ozkan, & Ceylan, 2012; Zamahani et al., 2011). Self-awareness is a process where an individual constantly tries to excel at their talents and try to understand him or herself, including their desires, beliefs, core values and their purpose in life (Avolio & Gardner, 2005). Self-awareness has four elements that are essential for authentic leaders and according to Avolio and Gardener (2005); it is values,

identity, emotions, and goals. This self-awareness could also be realised by being sent on various management programmes like change management (Avolio & Gardner, 2005).

### 2.7.2 Relational transparency

This relates to the openness and genuine interaction with followers and sharing true thoughts and feelings about one's self with followers (Ozkan, & Ceylan, 2012). Transparency leads to trust, intimacy, teamwork, and co-operation with employees because of the leader's self-disclosure (Zamahani et al., 2011). The transparent relationship will lead employees to be more forthcoming with innovative ideas and solutions for the organisation. This proactivity may result in more positivity in the workplace and an increase in the individual performance levels. Leaders should always be transparent with their followers for example, if one of the team leaders is not reaching their daily targets managers should address the situation immediately and tell the employee what is expected of them and what the implications will be if these issues are not corrected.

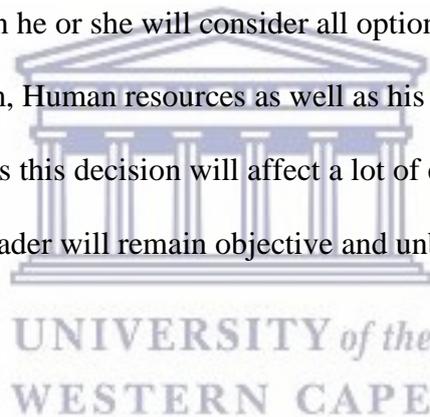
### 2.7.3 Internalised Moral perspective

Self-regulation is an internal process that looks at internal moral development and leader behaviour and the leader is guided by their internal moral standards and values rather than external pressures (Hannah, Avolio, & Walumbwa, 2011). When in tough situations, leaders with high level of internal perspective will make a decision in an ethical manner and behave in a manner consistent with their values, standards, and beliefs, these leaders use their values and external standards to guide behaviour (Kotze & Nel, 2015). For example, if a leader is put in a tough situation where he/she has to make a decision regarding annual salary increases, the leader will consider all aspects. These could include cost of living, the business aspect, and the employee's performance. The leader's decision will be guided by these

various aspects and will not be based only on whether the leader likes an employee; the leader will make a holistic decision guided by his values.

#### 2.7.4 Balanced processing

This involves a leader being objective and considering all relevant information before making important decisions (Valsania et al, 2012). By identifying and taking into consideration all the relevant details, the leader makes sure not to distort and ignore data. This decreases their chances of being biased. Practicing balanced processing is the centre of an individual's integrity and this will assist the leader in making the right decisions and taking relevant strategic action (Valsania et al., 2012; Zamahani et al., 2011). For example, if a leader wants to introduce a new shift pattern he or she will consider all options, including speaking to union representatives, his team, Human resources as well as his managers to ensure that all relevant parts are considered as this decision will affect a lot of employees and not just him/her. In this manner, the leader will remain objective and unbiased.



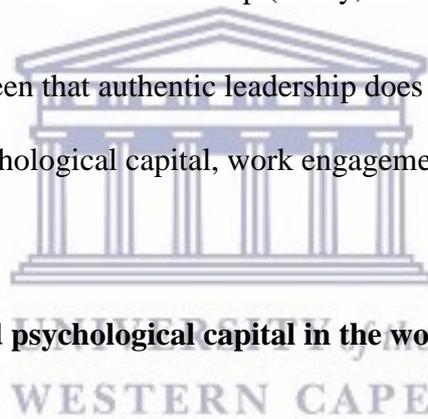
#### **2.8 The relationship between authentic leadership and other organisational variables.**

As can be seen in the literature the key component of authentic leadership is trust. Trust is the understanding between two individuals and is defined as the “willingness’s to rely on other individuals and to take action in circumstances where such action makes one vulnerable to other party” (Hassan, & Ahmed 2011, p. 750). The authentic leader should be transparent in order for their followers to trust them ensuring that the work relationship is built on loyalty, openness, integrity and consistency (Robbins et al., 2009). Significant studies have been conducted on authentic leadership and other organisational variables and some of these studies will be discussed below.

In a study conducted in the public sector, researching authentic leadership and the influences of trust, optimism, and work engagement it was reported that trust and optimism mediated the relationship between authentic leadership and work engagement. Optimism significantly correlated to work engagement with a correlation of 0.60. (Stander, De Beer & Stander, 2015). Another study done by Alok and Israel (2012) yielded similar results with a low to moderate correlation of 0.47 between authentic leadership and work engagement.

In another study regarding authentic leadership, authentic followers, basic need satisfaction and work role performance it found that there was a low correlation between the variables of work role performance and authentic leadership of 0.32 and an alpha correlation of 0.48 between need satisfaction and authentic leadership (Leroy, Anseel, Gardner, & Sel, 2012).

From these results, it can be seen that authentic leadership does have an impact on an employee regarding their psychological capital, work engagement, and performance in the work place.



## **2.9 Authentic leadership and psychological capital in the work place:**

In a study conducted by Woolley, Caza and Levy (2011) using a national representative sample of working adults it found that authentic leadership behaviours on the part of the leader does lead to higher levels of PsyCap within employees. The correlation between authentic leadership and PsyCap was 0.43. It further found a positive relationship between job performance, authentic leadership, and psychological capital.

In another study conducted by Adil and Kamal (2016) that researched the impact of psychological capital and authentic leadership on the effects work engagement, the results reported a relationship between psychological capital and authentic leadership with 0.35 correlations. The study also yielded a positive relationship between authentic leadership and

work engagement. In a similar study conducted by Joo, Lim and Kim (2016) on the effects of psychological capital and authentic leadership and work empowerment on a conglomerate of junior and middle managers, the relationship between psychological capital and work engagement had correlations of 0.76 and the relationship between authentic leadership and work engagement had significant lower correlations of 0.42. The high level of correlation between PsyCap and work engagement shows that employees with a high PsyCap tends to be more motivated in tasked situations which leads to more engaged employees (Joo, Lim, & Kim, 2016).

Another study conducted on various crewmembers working on different vessels it yielded a correlation of 0.39 when considering the relationship between psychological capital and authentic leadership (Olaniyan & Hystad, 2016).

According to the results, it can be seen that authentic leadership does affect employees' psychological capital in terms of hope, optimism, self- efficacy, and resilience. In addition, the leader's openness, self-evaluation, transparency of their behaviour and those around them leads them to be more transparent and in return, employees become more optimistic to complete task and find various pathways to complete or analyse a difficult situation. As a result, a series of hypotheses were developed for the present study. The hypotheses are presented in the next section.

## **2.10 Hypotheses**

H1: Authentic leadership (and its dimensions) has a positive relationship with PsyCap (and its dimensions).

H2: The authentic leadership dimensions explain a significant proportion of the variance in the levels of hope of the employee

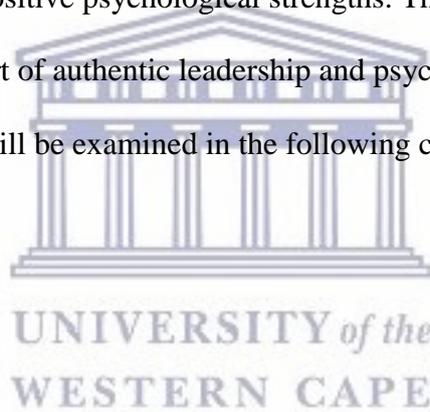
H3: The authentic leadership dimensions explain a significant proportion of the variance in the levels of resilience of the employee

H4: The authentic leadership dimensions explain a significant proportion of the variance in the levels of self-efficacy of the employee

H5: The authentic leadership dimensions explain a significant proportion of the variance in the levels of optimism of the employee

## **2.11 Conclusion**

Authentic leadership considers how individuals can develop to become a better leader whereas PsyCap focuses on positive psychological strengths. This chapter also considered the various elements that form part of authentic leadership and psychological capital and from that derived hypotheses that will be examined in the following chapters.



## **Chapter 3**

### **3. Research methodology**

#### **3.1 Introduction**

This chapter will introduce the research design, which will give an overview of the approach the research followed as well as the questionnaires utilised. It will further elaborate on the sampling techniques, that was utilised and consider the positives and negative aspects of the sampling technique. The techniques used to analyse data will also be discussed. Finally, the methodological limitations and ethical issues associated with the study are discussed.

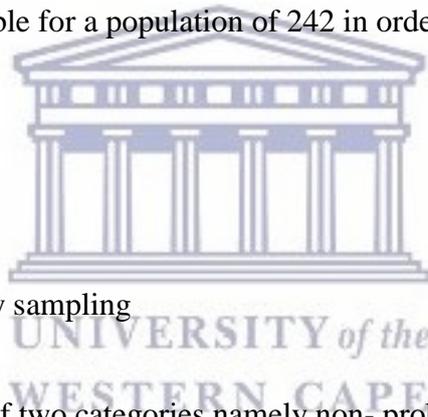
#### **3.2 Research design**

The present study followed a quantitative approach. The rationale for using a quantitative research method is that it has objective interpretations; it is highly structured and has high levels of reliability (Coolican, 2004). Quantitative data uses numbers and statistics making the data collected easier to interpret and understand and allows the researcher to sample a large population due to the statistical nature (Louw & Edwards, 1995; Scheyvens & Storey, 2003). The disadvantage of this type of method is that the information gathered is narrow, artificial and the realism of the research is low (Coolican, 2004). The quantitative research method was utilised as the research study wished to establish the relationship between authentic leadership and psychological capital in an organisation in the FMCG industry. The purpose of the study is thus to test the hypotheses (Sekaran, 2003) regarding the relationship between authentic leadership and psychological capital. The study is cross sectional in nature as data was collected at one point in time.

### 3.3 Population and sample

The study, conducted in a manufacturing company in the Western Cape consisted of a population of 242 employees. A population is all the people the researcher wishes to investigate (Sekaran, 2001). Shaughnessy and Zechmeister (1997) further state, “a population is the set of all the cases of interest” (p.135). Coolican (2004) further postulates a population is all the existing members of an organisation. According to Bailey (1987) and Sekaran (2003), a sample is the subgroup of a population.

A sample is the group drawn from the population (Pretorius, 2007). The sample consisted of all employees in the population, namely 242 employees. According to Sekaran (2003), 152 respondents would be acceptable for a population of 242 in order for the study to be generalisable.



### 3.4 Sample procedure

#### 3.4.1 Non – Probability sampling

Sampling procedures consist of two categories namely non- probability sampling and probability sampling depending on the research design (Daniels, 2012). Non – probability sampling is a representative sampling that cannot be generalisable to the entire population but provides valuable information in a short period (Scheyvens & Storey, 2003). There are four non - probability-sampling designs namely: availability/convenience sampling, purposive sampling, quota sampling, and respondent –assisted sampling (Daniels, 2012).

#### 3.4.2 Probability sampling

Probability sampling means that there is a possibility that every individual in the population could form part of the sample (Daniels, 2012). Probability sampling is used when there is a

possibility that every individual in the population could form part of the research for example when you want to analyse the psychological capital of all the students in the psychology class, there is a probability that all the students in the class could form part of the research (Goodwin, 1995). The various forms of probability sampling are simple random sampling, stratified sampling, systematic sampling, and cluster sampling (Daniels, 2012).

### **3.5 Sample design used for study**

For this study, probability sampling was utilised. Probability sampling is used when there is a need for a representative sample and the researcher does not focus on a specific element of the population (Daniels, 2012). Probability sampling also minimises the selection bias, as the researcher does not focus on a specific element of the population but rather on the entire population. Probability sampling was used for the present study due to the size of the population as well as the accessibility to the population (Daniels, 2012). The type of probability sampling used was simple random sampling.

The disadvantage of this sampling technique is that it does not target a specific element of the population and the need for quick decision is not readily available. The other disadvantage is that the population can be scattered, it is quite costly to conduct as it does take a lot of time and money from the researcher. This sampling is also vulnerable to larger sampling errors and precision of the study compared to other probability sampling techniques.

### **3.6 Method of data collection**

In order to conduct the research ethical clearance was obtained from the University of the Western Cape as well as permission from the MD and HR executive at the research organisation. An informed consent form, information letter as well as the questionnaire was given to employees and were collected or given back to the researcher when completed.

However, there was a delay in the return of questionnaires. To make the response quicker the researcher sent out reminders and scheduled time with a group of employees in order for the questionnaires to be completed. Facilitating questionnaires during training sessions was used to speed up the response time of the questionnaires. A total number of 102 completed questionnaires were received.

### **3.7 Measurement instruments**

Three questionnaires were used which is the psychological capital questionnaire (PCQ) as well as the authentic leadership questionnaire (ALQ) and a biographical questionnaire.

The biographical questionnaire used to obtain demographic information about the employees. The questionnaire includes questions regarding their gender, age, education level, present designation, and their language.

The psychological capital questionnaire is a 24- item questionnaire developed by Luthans et al., (2007). The Psychological capital questionnaire (PCQ24) modified six items per dimension from previously existing questionnaires for the dimensions, namely self-efficacy, hope, optimism, and resilience (Peterson et al., 2011).

The items of the scale were measured using a six-point Likert scale which ranges from (1) strongly disagree, (2) disagree, (3) somewhat disagree, (4) somewhat disagree, (5) agree and (6) strongly agree. Examples of the item include (“I feel confident helping to set targets/ goals in my work area” to “I always look on the bright side of things regarding my job” ) with each item measuring a specific dimension of PsyCap (Peterson et al., 2011; Avolio, Avey, & Norman, 2007). The self-rater version of this questionnaire was used as employees reported on their own levels of psychological capital.

The authentic leadership questionnaire (ALQ) is a 16-item scale that was developed by Avolio, Gardner, and Walumbwa (2007). Questions 1 to 5 measure transparency, question 6 to 9 measure moral/ ethics, question 10 to 12 look at balanced processing and lastly numbers 13 to 16 considers self-awareness (Zamahani et al., 2011). The items are measured on a five-point Likert scale ranging from (0) “not at all to” (4) “frequently if not always” (Zamahani et al., 2011, p. 663). Examples of the item include “My leader encourages everyone to speak their mind”. The rater version of this scale was used as employees evaluated their perception of the leader’s authentic leadership behaviours.

### **3.8 Reliability of PCQ24 and ALQ**

Reliability refers to the consistency of the measurement instrument, and whether it will produce the same results if done on a different population (Clark-Carter, 2010). According to Daniels (2011), reliability refers to the extent that any test is free from measurement of error. In previous studies conducted on psychological capital, the reliability of the questionnaire was estimated to have a Cronbach alpha coefficient = 0.98. This was for a retail advisory department sample in a large financial organisation (Peterson et al., 2011). Other research also found the various components of the instrument had coefficients ranging between 0.66 and 0.89, which indicates a relatively high level of reliability for the questionnaire (Avolio et al., 2007).

In a study conducted within the South African context by Görgens-Ekermans and Herbert (2013) relatively high levels of reliability ranging between 0.67 and 0.83 for the PsyCap dimensions were reported. For the subscale hope and self-efficacy, an alpha coefficient of 0.81 and 0.83 was found respectively. However, the subscales optimism and resilience had much lower alpha coefficient ranging between 0.67 and 0.67, which are still acceptable reliability figures.

The Cronbach alpha reliability for each dimension of the authentic leadership questionnaire ranged between 0.80 and 0.93 and an overall reliability of 0.88 in Zamahani et al.'s study (2011). Other studies also found the reliability of the questionnaire with a high internal consistency with a coefficient level of 0.92, which solidifies the reliability of the questionnaire (Ozka, & Ceylan, 2012). In another study measuring the influence of trait emotional intelligence on authentic leadership it found reliability of between 0.60 and 0.78 except for one dimension which as the balanced processing that had a reliability of 0.43.

### **3.9 Data analysis techniques**

Two categories of data analysis techniques are used in research and they are descriptive statistics and inferential statistics. Descriptive statistics describe the findings by transforming the raw data into a simpler and more transparent manner using various techniques such as frequencies, measures of central tendency and dispersion (Sekaran, 2003; Clark – Carter, 2010).

Inferential statistics, however, are used to analyse the relationship between two variables, to identify the differences in a variable among different subgroups and lastly to predict how several independent variables might explain the variance in a dependent variable. In order to test the research hypothesis for this study the Pearson product-moment correlation coefficient was used. Furthermore, regression analysis was also utilised.

#### **3.9.1 Pearson product moment correlation coefficient:**

When considering how two variables relate to one another the Pearson product- moment correlation coefficient is used. The strength, direction, and significance of the bivariate relationship between all variables in the study are determined. A correlation of + 1.0

represents that there is a positive relationship between two variables a correlation -1.0 on the other hand represents a negative correlation between variables (Sekaran, 2003).

In the present study, the Pearson correlation was used to determine if a relationship exist between authentic leadership and psychological capital (and the respective dimensions of each of the variables).

### 3.9.2 Multiple Regression analysis

According to Sekaran (2003), the multiple regression analysis includes a dependent variable and one or more independent variables that predict the dependent variables. This kind of analysis can be identified through three different types of regression namely standard, stepwise and hierarchical multiple regression.

The standard regression is used when all the predictor variables are entered at the same time. The stepwise regression is utilised when the intended study wants to identify which predictor is the most important in explaining the variance. Lastly, the hierarchical regression is employed when the predictor variables are in an order that is pre-determined by the researcher (Sekaran, 2003).

The dependant variable of the intended study is the dimensions of psychological capital and the independent variable will be the dimensions of authentic leadership. The regression analysis will therefore indicate the amount of variance in the respective PsyCap dimensions that can be explained by the dimensions of authentic leadership.

### **3.10 Limitations of the research methodology**

The sample of the study is small therefore making the research findings less generalisable. Questionnaires were used which limits the participants to one answer usually forcing them into choosing one.

Quantitative methods of data gathering were used for the findings of the proposed research whereas a qualitative method like interviews and observation would hold more in-depth information. The respondents may also act in a sociable desirable manner which means that they will give answers they think is more suitable and which ultimately will distort the research findings.

Employees have many responsibilities and at the time of administering the questionnaires, they may have been unwilling or reluctant to participate in the study. Other factors may also affect the individual's psychological capital that was not focused on in the study. This could limit the usefulness of the results of the study. The questionnaires used were developed in America and this could lead to the questions on the questionnaire being culturally biased.

### **3. 11 Ethical issues to consider**

According to Sekaran (2003) when conducting a research study, the researcher needs to consider the following key ethical issues:

The research project made sure that the information of the respondents is completely confidential. When the questionnaires were collected, the researcher ensured that all questionnaires were stored in a sealed box. No personal/identifiable information was asked in the biographical questionnaire for example, address, telephone etc. Furthermore, the participants were not forced to complete the questionnaires and this was clearly stated in the consent form. Participants were not remunerated in any manner for participating in the study.

Objectivity was considered when conducting the research and there was no bias towards the candidates.

### **3.12 Conclusion**

In this chapter, the researcher considered the various sampling techniques, the data gathering methodology and the statistical techniques that will be utilised to answer the research question of the present study. The following chapter will consider the results of the study and test the hypotheses that were established for the present study.



## **Chapter 4**

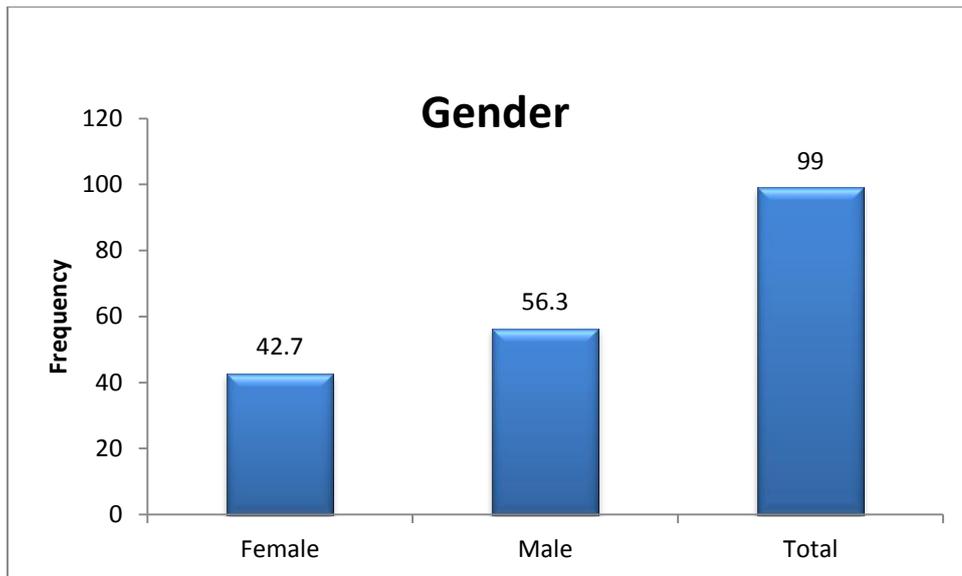
### **4 Research Findings**

#### **4.1. Introduction**

This chapter present the analysis of the data gathered for the present study. The descriptive statistics present the data gathered in the biographical questionnaire and also discuss the mean, mode, median and standard deviation of the present study. The hypothesis was analysed by means of the multiple regression tool as well as the Pearson correlation analysis.

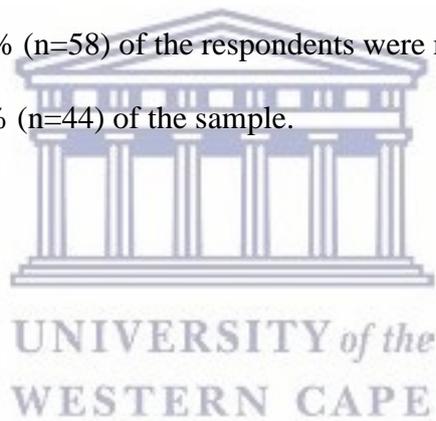
#### **4.2. Descriptive Statistics**

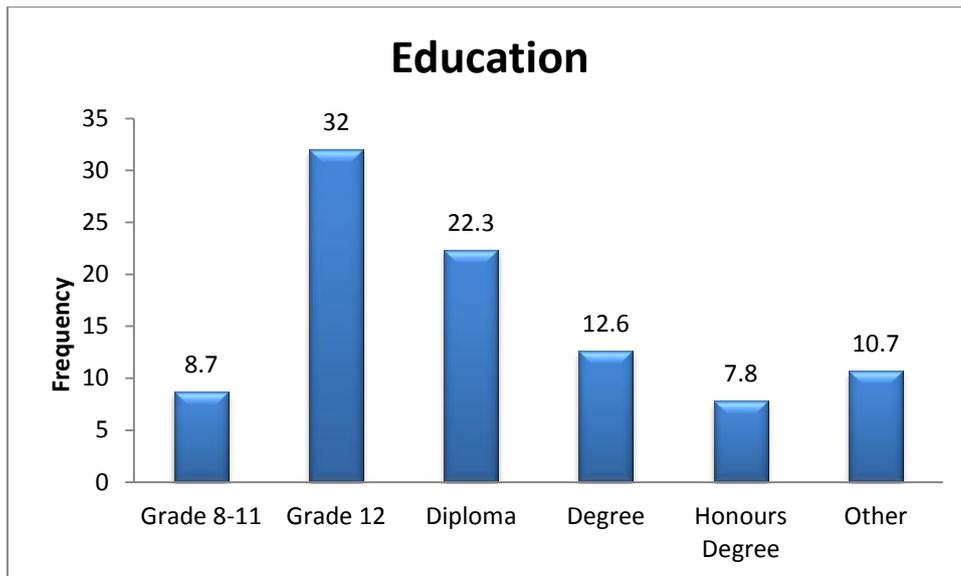
The following section describes the raw data collected in the biographical questionnaire discussing the participant's response according to their age, gender, race, education, and tenure. The participants' responses are illustrated using a bar chart for easier interpretation. This kind of statistic is known as frequencies, which simplifies the number of times various subcategories of certain phenomenon occurs and can be described using percentages.



**Figure 4.1 Distribution of Gender**

Figure 4.1 describes that 56.3% (n=58) of the respondents were male and females respondents represented 42.7% (n=44) of the sample.

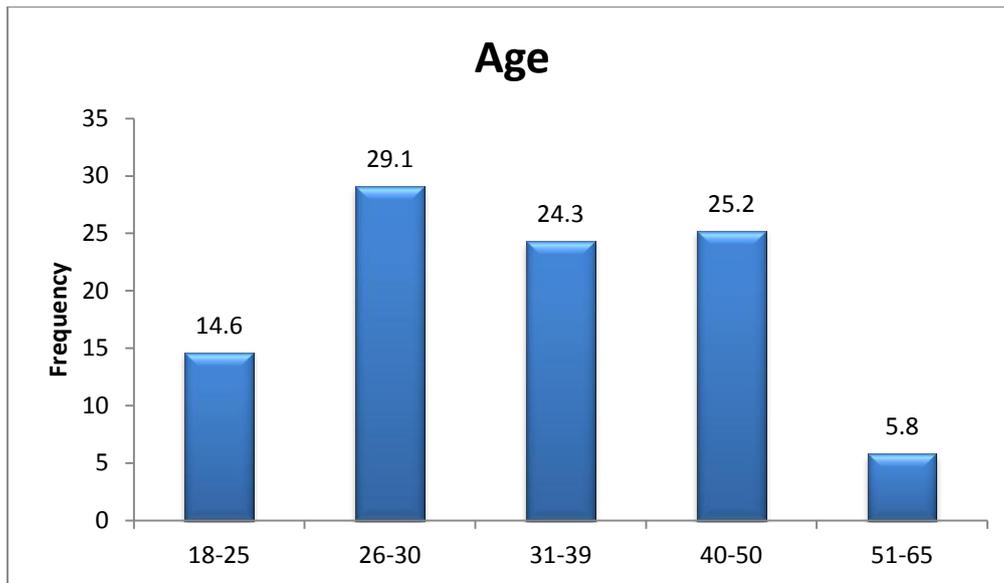




**Figure 4. 2 Education**

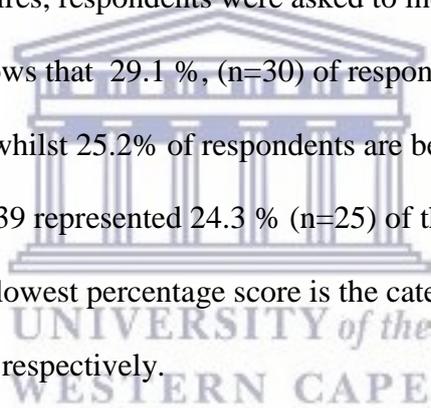
Concerning educational qualifications, Figure 4.2 shows that 32%, (n=33) of the respondents have a Grade 12 certificate followed by 22.3 % (n=23) who has a diploma. Twelve-point six percent of the respondents has a Bachelor's degree (n=13). Those with honours degree represented 7.8% (n=8). Of the sample, the employees with grade 8-11 and those that responded 'Other' represented 8.7% and 10.7% of the sample respectively.

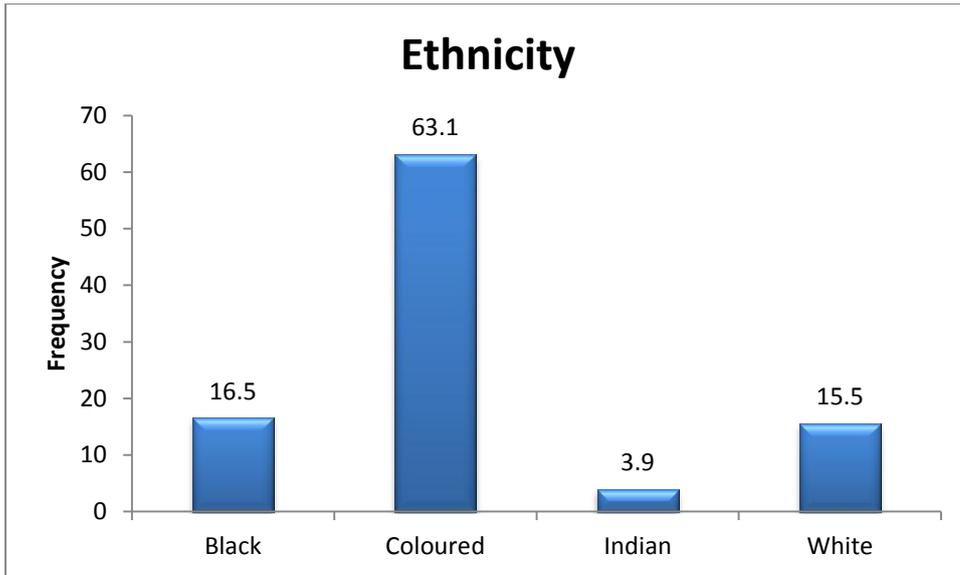
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**Figure 4. 3 Age**

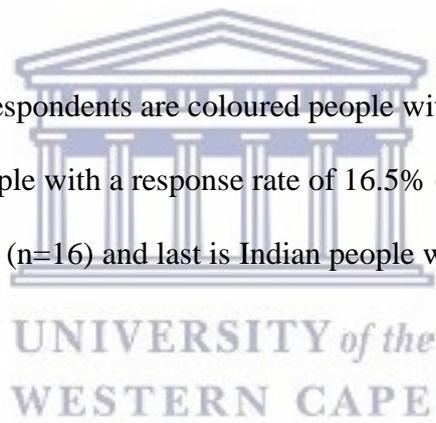
In the biographical questionnaires, respondents were asked to indicate a category that best fit their age group. Figure 4.3 shows that 29.1 %, (n=30) of respondents indicated their age in the 26-30-year-old category, whilst 25.2% of respondents are between 40 -50 years of age. The age category between 31-39 represented 24.3 % (n=25) of the respondents. The other categories coming in with the lowest percentage score is the category 18 -25 and 51-65 with 14.6% (n=15) and 5.8% (n=6) respectively.

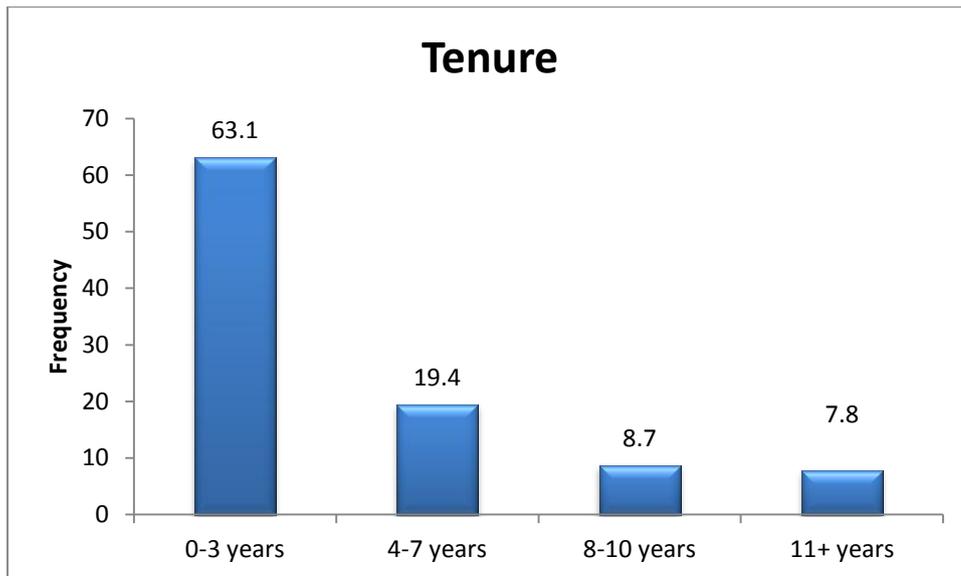




**Figure 4.4 Ethnicity**

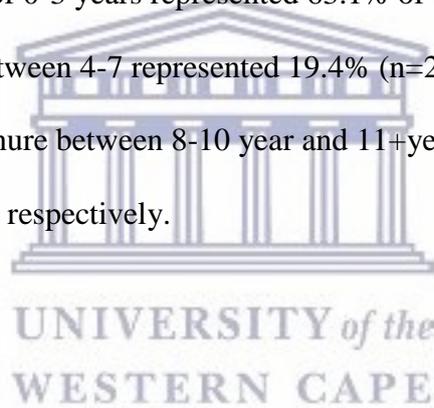
Figure 4.4 indicated that 65 respondents are coloured people with a response rate of 63.1% coming in second is black people with a response rate of 16.5% (n=17), third is white people with a response rate of 15.5% (n=16) and last is Indian people with a response rate of 3.9% (n=4).





**Figure 4. 5 Tenure**

The employees with a tenure of 0-3 years represented 63.1% of the sample (n=65). Secondly the employee with a tenure between 4-7 represented 19.4% (n=20) of the sample. The employees with the longest tenure between 8-10 year and 11+years had lowest response rate of 8.7% (n=9) and 7.8% (n=8) respectively.



### 4.3 Reliability of the Instrument

Reliability considers the extent to which the questionnaire produces consistent results. (Pretorius, 2007). The Cronbach alpha reliability coefficients used to get the reliability of the questionnaire and the reliability is illustrated in the table below.

**Table 4.1 Cronbach Alpha reliability coefficient for the dimension and total scores (N =102)**

Variable	Dimension	No of items	Cronbach Alpha Reliability Coefficient
Authentic Leadership	Transparency	5	0.72
	Moral/Ethical	4	0.84
	Balanced Processing	3	0.71
	Self-awareness	4	0.82
	TOTAL	16	0.92
Psychological Capital	Efficacy	6	0.77
	Hope	6	0.72
	Resilience	5	0.52
	Optimism	4	0.59
	Total	21	0.83

The reliability for the dimensions of authentic leadership had a Cronbach alpha coefficient of between 0.71 and 0.84. The Cronbach coefficient for two of the dimensions of psychological capital, hope, and efficacy came in at 0.72 and 0.77 respectively. The other two dimensions resilience and optimism had low reliability of 0.52 and 0.59. With regard to the resilience dimension, item 13 was excluded and for the dimension of optimism items 20 and 23 was

excluded to improve the reliability of the dimensions. With the exclusion of these items the reliability for the resilience was 0.52 and optimism had a resilience of 0.59.

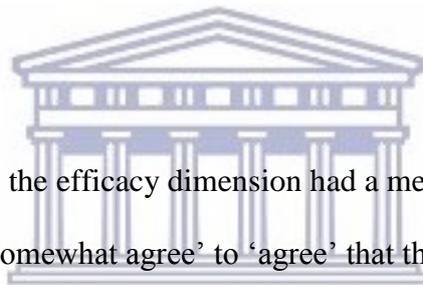
#### 4.4 Descriptive Statistics instruments

This section presents information regarding the mean, minimum, maximum and standard deviation of the psychological capital and authentic leadership variables. In addition, the interpretations of these scores for each variable are discussed below.

**Table 4.2 Descriptive statistics for the dimension and total scores of the PCQ24 and ALQ (N=102)**

<b>Variables</b>	<b>Dimensions</b>	<b>Mean</b>	<b>Std. Deviation</b>
Authentic leadership	Transparency	2.6760	0.7348
	Moral/Ethic	2.8448	0.89883
	Balanced processing	2.7743	0.84692
	Self -Awareness	2.6311	0.86874
	Total	2.7254	0.72343
Psychological Capital	Efficacy	4.9167	0.80262
	Hope	4.8836	0.68186
	Resilience	4.8683	0.61286
	Optimism	4.7524	0.74302
	TOTAL	4.8644	0.52924

In evaluating the mean scores for the dimensions and total scores on the questionnaires, the Likert scale anchors are used to interpret the scores. It can be seen from the results in table 4.2 that most respondents in the manufacturing industry are of the view that their leaders ‘sometimes’ to ‘fairly often’ ( $M=2.67$ ) show transparency in their interactions. With a mean of 2.84 employees, ‘fairly often’ observe and consider that their leader displays moral and ethical reasoning in their decisions and interaction with employees. Employees in the manufacturing industry ‘sometimes’ to ‘fairly often’ are of the view that their leaders display balanced processing and self- awareness in their interacting with employees with a mean of 2.77 and 2.6 respectively. Thus, one can also see from the mean score of authentic leadership ( $M=2.73$ ) that respondents do ‘fairly often’ perceive authentic leadership behaviour from their leaders.



For the dimensions of PsyCap, the efficacy dimension had a mean score of 4.91. This indicates that the employees ‘somewhat agree’ to ‘agree’ that they will set high goals for themselves and try to achieve it regardless of the circumstances. For the dimension of hope the mean score is 4.88 which indicates that respondents ‘somewhat agree’ that they will be hopeful and find different pathways to solve a problem. The resilience had a mean score of 4.8 which indicates that when respondents are in tough situations they ‘somewhat agree’ to ‘agree’ that they will persevere through the tough times. The dimension of optimism had a mean of 4.8 that indicates that they somewhat agree that when they going through difficult situations at work they will be hopeful and positive that they situation will get better. Thus, generally respondents agreed to have hope, resilience, self-efficacy, and optimism.

#### **4.6 Inferential Statistics**

Inferential statistics are used to make interpretations from the data gathered for the present study. Inferential statistics analyses data in a way that will answer the research question (Drew, Hardman & Hosp, 2014). To analyse the data in order to answer the hypotheses of the study, Pearson correlation and multiple regression analysis was utilised. For hypothesis 1, the correlation coefficients will be reported.

#### **4.7 Hypothesis 1**

Authentic leadership (and its dimensions) has a positive relationship with PsyCap (and its dimensions).

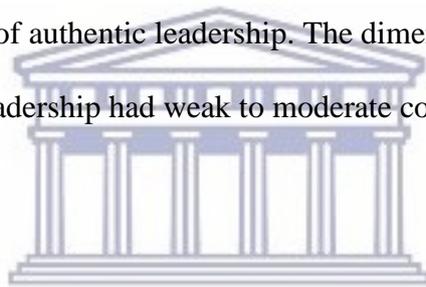


**Table 4.3 Correlation Coefficient of the dimension of psychological capital and authentic leadership**

	AL Trans- parency	AL Moral	AL Balanced Process	AL Self Aware- ness	AL Total	PCap Efficacy	PCap Hope	PCap Resilience	PCap Optimism	PCap TOTAL
AL Transparency	1	.679**	.611**	.672**	.864**	.361**	.295**	0.067	.198*	.337**
AL Moral	.679**	1	.724**	.650**	.880**	.329**	0.142	0.068	0.092	.238*
AL Balance Process	.611**	.724**	1	.738**	.860**	.385**	0.165	0.098	0.17	.300**
AL Self Awareness	.672**	.650**	.738**	1	.878**	.429**	.261**	0.082	.221*	.364**
AL Total	.864**	.880**	.860**	.878**	1	.430**	.252*	0.089	.195*	.356**
PCap Efficacy	.361**	.329**	.385**	.429**	.430**	1	.444**	.367**	0.176	.745**
PCap Hope	.295**	0.142	0.165	.261**	.252*	.444**	1	.455**	.544**	.831**
PCap Resilience	0.067	0.068	0.098	0.082	0.089	.367**	.455**	1	.406**	.711**
PCap Optimism	.198*	0.092	0.17	.221*	.195*	0.176	.544**	.406**	1	.656**
PCap TOTAL	.337**	.238*	.300**	.364**	.356**	.745**	.831**	.711**	.656**	1

Note: \*\*Correlation is significant at the 0.01 level (2-tailed)

The correlation coefficient reflects the relationship between two variables (Salkind, 2011). Table 4.3 indicates the relationships between the dimensions of psychological capital and authentic leadership. According to Salkind (2010), a coefficient of 0.0 to 0.02 is considered weak and a coefficient of 0.60 to .0.80 is considered strong According to Sekaran(2003)therefore it can be concluded that there is moderate to strong relationship between the dimensions of PsyCap and authentic leadership with coefficients ranging between 0.45 and 0.88. The table also indicates that there were weak but significant relationships between the dimensions of hope and transparency and hope and self-awareness with coefficients of 0.29 and 0.26 respectively. There was no relationship at all between resilience and the dimensions of authentic leadership. The dimensions of self -efficacy and all the dimensions of authentic leadership had weak to moderate correlations between 0.32 and 0.42.



Hypothesis 2 to 5 sets out to determine the proportion of variance explained by authentic leadership dimensions in each of the PsyCap dimensions. Stepwise multiple regression analysis is utilised for this section in order to determine which authentic leadership dimension explained the biggest proportion of the variance in the dependent variable.

#### **4.8. Hypothesis 2**

The authentic leadership dimensions explain a significant proportion of the variance in the levels of hope of the employee.

**Table 4.4 Multiple regression with the dimension of Hope as a dependant variable**

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics	
					R Square Change	F Change
1	.295a	.087	0.078	0.65477	0.087	9.617

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.123	1	4.123	9.617	.002 <sup>b</sup>
	Residual	43.301	101	.429		
	Total	47.424	102			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.151	.245		16.961	.000
	AL_Trans	.274	.088	.295	3.101	.002

Excluded Variables						
Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
						Tolerance
1	AL_Moral	-.108 <sup>b</sup>	-.833	.407	-.083	.539
	AL_Balance Process	-.025 <sup>b</sup>	-.206	.838	-.021	.627
	AL_Self Awareness	.115 <sup>b</sup>	.892	.375	.089	.548

In table 4.4 the leader's transparency explained 8.7% ( $F(1,101) = 9.617; p=0.02$ ) of the variance in employee hope. Therefore, hypothesis 2 was accepted.

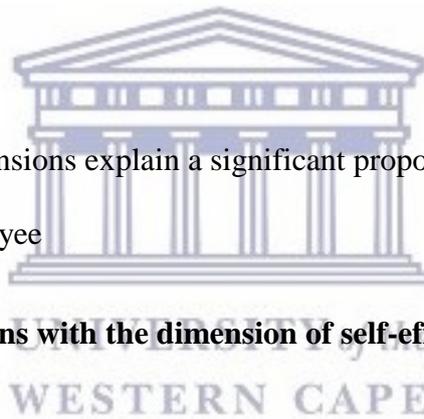
#### 4.9 Hypothesis 3

The authentic leadership dimensions explain a significant proportion of the variance in the levels of resilience of the employee

No dimensions met the entry criteria for the stepwise multiple regression. Thus, the variance in employee resilience is not explained by the dimensions of authentic leadership. Hypothesis 3 is therefore rejected.

#### 4.10. Hypothesis 4

The authentic leadership dimensions explain a significant proportion of the variance in the levels of efficacy of the employee



**Table 4.5. Multiple regressions with the dimension of self-efficacy as a dependant variable**

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics	
					R Square Change	F Change
1	.429 <sup>a</sup>	.184	.176	.72865	.184	22.760

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.084	1	12.084	22.760	.000 <sup>b</sup>
	Residual	53.624	101	.531		
	Total	65.708	102			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	(Constant)	3.874	.230		16.845	.000
	AL_SelfAware	.396	.083	.429	4.771	.000

Excluded Variables						
Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
						Tolerance
1	AL_Trans	.133 <sup>b</sup>	1.099	.275	.109	.548
	AL_Moral	.087 <sup>b</sup>	.731	.466	.073	.577
	AL_BalProc	.150 <sup>b</sup>	1.132	.260	.112	.456

In the tables above Self-awareness of the leader explains 18.4% ( $F(1,101)=22.76$ ;  $p=0.00$ ) of the change in the efficacy of the respondent. The three-dimension transparency, moral and balanced processing does not explain a significant proportion of variance in efficacy. There is a significant proportion of the variance explained between self-awareness and efficacy therefore hypothesis 4 was accepted.

#### 4.11 Hypothesis 5

The authentic leadership dimensions explain a significant proportion of the variance in the levels of optimism of the employee

**Table 4.6 Multiple regressions with optimism as dependant variable**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics	
					R Square Change	F Change
1	.221a	0.049	0.039	0.72828	0.049	5.171

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.742	1	2.742	5.171	.025 <sup>b</sup>
	Residual	53.569	101	.530		
	Total	56.312	102			

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.256	.230		18.513	.000
	AL_SelfAware	.189	.083	.221	2.274	.025

Excluded Variables						
Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
						Tolerance
1	AL_Trans	.090 <sup>b</sup>	.685	.495	.068	.548
	AL_Moral	-.089 <sup>b</sup>	-.694	.489	-.069	.577
	AL_BalProc	.017 <sup>b</sup>	.114	.909	.011	.456

In table 4.6 the self- awareness dimensions of authentic leadership explains 4.9% ( $F(1,101) = 5.17; p=0.25$ ) of the change in the optimism of the respondent.

#### 4.12 Conclusion

In summary, this chapter provide an analysis of the data gathered. The Pearson correlation was used to determine if there is a relationship between psychological capital and authentic leadership. The multiple regressions and the ANOVA were used to explain the significant variance between the dimensions. Hypothesis 1 was accepted, as there was a positive correlation between the authentic leadership dimensions and the psychological capital dimensions. Hypothesis 2, 4, and 5 all explained a signification proportion of the variance in the level of employees hope, efficacy, and optimism and it was all accepted. Hypothesis 3 was rejected, as the authentic leadership dimensions did not show a significant variance in the resilience of the employee



## Chapter 5

### 5. Discussion and Recommendation

#### 5.1 Introduction

The chapter will discuss the findings of the data explained in chapter four. It will provide an analysis of the data and draw conclusions as well as try to make recommendations for the present study.

#### 5.2 Descriptive statistics

This section will discuss the descriptive statistics including the demographics, mean, median, mode, and standard deviation.

##### 5.2.1 Demographic discussion

The current study had a sample of 102 employees with the male employees being the majority respondents with a response rate of 56.3% (n=58). Given the work done in the manufacturing industry the high representation of male in the sample is not surprising as males are predominantly appointed due to the nature of the work. The majority of the respondents has a grade 12 certificate (32% n=33), from this it can be concluded that majority of the work done in the manufacturing industry is general work which does not require the employee to have a certificate in higher education. This is also consistent with the employee profile in the research organisation.

Due to the location of the factories with one being in Wellington and the other in Atlantis which is predominately occupied by coloured people it is was not surprising that coloured people made up the majority of the sample i.e. 63.1% (n=65). The majority (63.1%) of the respondents has been at the company for between 0-3 years (n=65). It can be concluded that

due to the fast-past nature of the work environment employees does not tend to stay long at the company this impacts the high turnover rates at the company.

Majority of the respondents were aged between 26- 30 years old with a response rate of 29.1%. This is an indication that the workplace has a very young work force, which could explain the high response rate in terms of grade 12 education being the highest percentage of education.

### **5.2.2 Descriptive statistics instruments**

For the dimension of transparency employees in the research organisation displayed a mean of 2.67 (SD=0.73). This indicates that the employees in the manufacturing organisation fairly often feel comfortable to share thoughts and beliefs regarding their work with their leader. For the moral/ethical dimension of leadership there was a mean (2.84= SD=0.89) which infers that the employees have a positive perception that their leader is ethical and moral when making decisions and setting goals. Self-awareness and balanced processing of the leader had mean score of 2.63 (SD=0.86) and 2.77 (SD=0.84) respectively. This indicates that the employees somewhat to fairly often believe that their leaders are aware of how they behave and always trying to better themselves. The same conclusion can be made for balanced processing as employees on average agree that leaders are objective and consider all options before making important decisions.

The mean for self - efficacy is at 4.91 (SD=0.80) which indicates that employees in the manufacturing industry somewhat agree to agree that they are motivated to execute a task given to them within a given period. For the dimension of hope there was a mean of 4.88 (SD=0.68) this means that employees have the will power and pathway of finding various ways to attain goals given to them. There was a mean of 4.86 (SD=0.61) for resilience that

indicates the employee somewhat agree that when encountering difficult situations, they have the strength and desire to overcome difficult situations when faced with it at work.

### **5.3 Inferential Statistics**

*Hypothesis 1: Authentic leadership (and its dimensions) has a positive relationship with PsyCap (and its dimensions).*

According to the correlation coefficient, there is a positive correlation between authentic leadership and psychological capital. This indicates that their leaders' leadership style and behaviour positively influence the employees' behaviour at work in terms of the employee being optimistic, resilient, hope and self – efficacy. The leaders' ability to be more transparent, self- aware, approaching situations based on the core beliefs and values as well as considering all relevant information when making decisions positively influence an employee to be more proactive and engaging in the workplace leading to higher PsyCap and in return high job satisfaction as well as work engagement.

In Luthans et al. (2015) they position PsyCap to be the major input for the development of authentic leadership. Moreover, developing leaders to enhance their self-awareness, self-regulation, and self-development will not only result in leaders with high PsyCap but will also lead to authentic leaders. A study done by Jensen and Luthans (2006) also found that there was a positive relationship between authentic leadership and psychological capital of 0.48. Another study done by Olaniyan and Hystad (2016) it also found a low but positive relationship between authentic leadership and psychological capital of 0.39. In a study done by Jensen and Luthans (2015) on the relationship between entrepreneur's psychological capital and authentic leadership it found a positive correlation of 0.47.

These results were from various organisations and conducted in different sectors thus indicating that the leader's leadership does influence the employee's psychological capital regardless of the organisation or sector the organisation is in.

*Hypothesis 2: The authentic leadership dimensions explain a significant proportion of the variance in the levels of hope of the employee*

This hypothesis was accepted. This means that the employees are motivated and driven by the leader's leadership style moreover the leaders' transparency in terms of being open, direct and having genuine interaction with the employees regarding their thoughts and feelings. Having a more transparent leader contributes to employees being more hopeful in finding different pathways in terms of setting goals. Employees will adhere to deadlines even if the job demands that they should work relentless hours including an increase in the workload. The employee will persevere through difficult times because they have clear set goals, as well as a transparent leader where the employees feel comfortable in their presence.

However, the organisations need to be aware that the level of hope for the employee can be affected by various elements in the work place. This could be a manager, the employees believe that they are excellent workers but their dedication is overlooked for a promotion, the employee gets poor performance ratings for a project they felt they carried out successful, these are some factors that could impact the employees' level of engagement as well as their perseverance to remain hopefully (Luthans et al, 2015).

*Hypothesis 3: The authentic leadership dimensions explain a significant proportion of the variance in the levels of resilience of the employee*

Hypothesis 3 was rejected, as there was no significant variance explained by authentic leadership in the employee's resilience. This indicates that for the current sample, the leader's

leadership does not significantly influence the employees' ability to bounce back from adversity, failure or positive events and increased responsibility (Luthans et al., 2015). This could indicate that when employees are given challenging task or in difficult situations they do not benefit from the authentic leadership behaviours of their leaders to complete task and see that they will succeed.

According to Luthans et al (2015), this lack of resilience could be due to the ever-changing organisational changing environment. In the ever-changing working environment long term employment is not guaranteed , less attention is given to career planning and mentoring, employees fear loss of income and all these factors could influence the employees' resilience in the organisation. This is evident in the demographic information of the organisation where the largest part of the sample (63.1%) represented tenure of 0-3 years with the organisation. It also becomes more evident in the correlations of the dimensions between resilience and the dimensions of authentic leadership.

In other studies, conducted between entrepreneurs' self-perception and authentic leadership there was a positive relationship between authentic leadership and the dimension of resilience ( $r=0.39$ ,  $p<.01$ ) (Jensen & Luthans, 2006).

One further explanation for the lack of relationship between the dimensions of authentic leadership and resilience could be the low reliability of the resilience dimension. In a study done by Paek et al. (2015) considering the relationship between the psychological capital dimension and work engagement, job satisfaction and affective organisational commitment it was reported that the resilience construct yielded low pairwise correlation of between 0.35 and 0.44.

*Hypothesis 4: The authentic leadership dimensions explain a significant proportion of the variance in the levels of efficacy of the employee*

According to the data, the leader's self-awareness does have a significant difference in the employee's level of self-efficacy. This indicates that employees in the organisation gain confidence in setting themselves high goals with the knowledge that they can achieve it through their leader's self-awareness behaviours. Luthans et al (2015) further states that employees with high efficacy display these five characteristics they set high goals, they thrive on challenging situations, they are self-motivated and they persevere through challenging times.

It can also be said that due to the leader's ability to be aware of his interaction with employees as well as his values, identity, emotion and goals and their ability to be transparent with employees, employees feed from this positive energy and also tries to improve their work performance, influence others to do better and try to master task they find challenging (Luthans et al., 2015).

In a study conducted by Joo et al (2016), significant interactions between the dimension of self -efficacy and authentic leadership was reported. In another study, researching psychological capital and employee well-being the dimension of efficacy had a low positive correlation of 0.34 with employee well-being (Tripathi, 2011). This result is similar to this study where the dimensions of efficacy and self –awareness had a correlation of 0.42.

*Hypothesis 5: The authentic leadership dimensions explain a significant proportion of the variance in the levels of optimism of the employee*

There was relationship between the self-awareness of the leader and optimism of the employee, which indicates that the employees are optimistic that when facing difficult situations that seem challenging they will get through the tough time. These results indicate that the employees can manage with setbacks and remains optimistic about the future. Optimistic employees tend not to be too concerned about situations out of their control. In the ever-changing world, where organisations are trying to accomplish more with less, it will inevitably put pressure on employees. Moreover, employees are expected to do more with fewer resources and still produce above average results. In these situations, it is imperative that the employees remain optimistic in these trying times and for them to have a “can do” attitude within the organisation. When the leader displays self-awareness in his/her behaviour, employee optimism is influenced.

#### **5.4 Limitations of the study**

The sample of the current study of 102 is small making the research findings less generalisable. The study is quantitative and used questionnaires, which limits the participants to one answer usually forcing them into choosing one. A quantitative method of data gathering is used and this might stifle the findings of the proposed research whereas a qualitative method like interviews and observation would hold more in-depth information. The circumstances in other environments may differ from the sample that was selected. The respondents may also act in a sociable desirable manner which means that they will give answers that they think are more suitable and which may ultimately distort the research findings. Employees have many responsibilities and at the time of administering the questionnaires, they may be unwilling or reluctant to participate in the study. Other factors affect the individuals’ psychological capital that was not being focused on in the study.

## **5.5 Recommendations for the organisations**

Based on the review of the literature and the results of the present study, it can be seen that it is important for the organisation to develop the employees' psychological capital as well as the leader's leadership style for the employee to be more engaged in the work place. From the findings, it is evident that the organisation needs to focus more on the authentic leadership behaviours and resilience of employees. The dimension of resilience had no correlation with authentic leadership, which means that the leader's leadership style does not influence or motivate the employee to be resilient. The organisation also needs to relook at their recruitment and selection process, as it is evident in the geographical information where the largest part of the sample (61%) had tenure of 0-3 years with the organisations.

It can be seen that the organisation does experience high turnover or went through restructuring. This consistent change in the company could also influence the employee's psychological capital as previous studies have shown that organisational climate, work engagement, and job satisfaction have positive relationship with the performance of the employee. Organisations should focus more on training and development programmes for both managers and employees to develop positive psychological strengths.

## **5.6 Conclusion**

This chapter discussed the findings of the present study, made recommendations, and highlighted the limitations of the study. The study also found that there is a positive correlation between authentic leadership and psychological capital.

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