Importance of Psychological Capital in Start-Up Employees and Its Contribution to Employee Engagement

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**ARTICLE DETAILS**

**ABSTRACT**

**Purpose:** This research examines how psychological capital is possessed by employees working in start-up companies and how psychological capital contributes to employee engagement.  

**Methodology:** This research is conducted with a cross-sectional quantitative approach using survey methods. The measuring instruments used will go through an adaptation process into Indonesian. The sample in this research was 203 employees who worked in start-up companies in Indonesia. Next, data analysis was carried out in this research using the linear regression method.  

**Findings:** According to this research, psychological capital has a positive and significant effect on employee engagement in employees working in start-up companies in Indonesia.  

**Originality:** This research extends previous research on psychological capital and employee engagement. The results show that psychological capital contributes to employee engagement in start-up companies. Start-up companies can apply this advice by continuously monitoring the psychological capital possessed by employees.

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**Introduction**

Current technological developments and advances have triggered various new ways for organizations to run their business. Organizations that have utilized these technological advances have made their business activities easier, cheaper, even faster, and more efficient. The business environment is also changing around the world, along with the psychological contract between employees, employers, and business owners (Rothmann & Joubert, 2007), especially with the
business trend currently developing rapidly in Indonesia, namely start-up companies. According to the Ministry of Research and Technology, Indonesia's start-up companies increase yearly. Start-upRanking.com also noted that in 2023, Indonesia will become the sixth country in the world with the highest number of start-ups, namely 2,529 companies, such as Shopee, Ruangguru, Gojek, Grab, Tokopedia, Lazada, HaloDoc, Sayurbox, and many more. A start-up is a new company trying to grow to survive (Salamzadeh & Kesim, 2019).

Many start-up companies create products or services amidst situations of uncertainty and can find a repeatable and scalable business model (Jaya et al., 2017). So, it can be said that working in a start-up company encourages the need to adapt to constantly changing circumstances amidst uncertain situations. Therefore, to survive in a changing and varied environment, start-up companies need employees who are more flexible, adaptive, and tolerant of uncertain situations (Pulakos et al., 2000). Additionally, companies must invest in human resources to succeed in today's competitive business world (Luthans & Youssef, 2007).

Luthans & Youssef (2007) explain a concept that emphasizes the state of an individual's positive psychological development, which is called psychological capital or PsyCap, which is characterized by Hope, Efficacy, Resilience and Optimism which is often shortened to HERO (Luthans & Youssef, 2007; Youssef-Morgan & Luthans, 2015). Karatepe & Karadas (2014) found that employees with higher levels of PsyCap are more satisfied with their lives and work because they are optimistic, hopeful, resilient, and confident. Because employees with high PsyCap can understand their current selves by understanding their potential and strengths, they can also predict what they can achieve (Youssef-Morgan & Luthans, 2015). In addition, PsyCap itself refers to and measures various behavioural states that are eventually related to an employee's organizational performance (Luthans & Youssef, 2007). Several other studies also show that PsyCap is associated with several important outcomes in the work environment, such as higher performance, positive attitudes toward work (e.g., job satisfaction, organizational commitment), and lower turnover (Peterson et al., 2011).

Therefore, researchers propose that employees who work in start-up companies with strong PsyCap will be more productive, more committed, and better able to overcome challenges in their work environment. They tend to be more adaptive and able to overcome work problems than their peers who may lack PsyCap. It is also said that by instilling PsyCap in employees, managers can provide new developments needed by employees in their workplace, which is full of stress due to conditions of uncertainty (Avey et al., 2009). Apart from that, the research of Xu et al. (2017) explained that when employees’ PsyCap increases, they tend to show a level of engagement in their work. In accordance with previous study (Bakker & Demerouti, 2008; Luthans et al., 2008), explains that engaged employees use resources such as optimism, self-efficacy, and resilience to help them manage and influence the work environment to be more successful. Relevant to this study, additional findings indicate that research conducted by Bakker et al. (2006) explained that optimism, self-efficacy, and resilience contribute specifically to engagement. Several studies show that PsyCap and engagement can be developed to positively contribute to an employee's work (de Waal & Pienaar, 2013).

Employee engagement is a positive psychological state of being active and engaged with work, exerted by the intensity and direction of cognitive, emotional, and behavioural energy (Shuck et al., 2014). Thus, engagement is conceptualized as the tendency of employees to show high levels of energy, passion, enthusiasm, attention, perseverance and determination when carrying out their work (Ababneh & Macky, 2015). Based on the social exchange theory, engaged employees tend to reciprocate the benefits they receive at work, whereas employees who are engaged at work will show extra behaviour and help the organization to develop (Gupta et al., 2017). Therefore, researchers assume that employees engaged in their work will ultimately be able to face the
demands of change or a dynamic work environment amidst conditions of uncertainty.

Both PsyCap and Employee Engagement are built based on the conditions or circumstances possessed by employees, are positively oriented, and can be developed to encourage positive work results, especially employee performance and attitudes and behaviour (de Waal & Pienaar, 2013; Luthans, 2012; Schaufeli et al., 2006). In addition, PsyCap and employee engagement are also known to have a correlation and effect on organizational behaviour and results. (Bakker & Demerouti, 2008; Stajkovic & Luthans, 1998). Physically, employees with higher levels of PsyCap tend to be better at handling stress, managing risk, and trying new things to improve their well-being. They also tend to have more positive and resilient cognitive energy because they are more confident in their ability to complete tasks, more confident in their ability to complete tasks, and better able to adapt to difficulties. Psychological capital can increase positive emotions, which have an impact on employee behaviour and attitudes (Avey et al., 2009). Cognitive employee engagement involves an employee's beliefs about their work. Emotionally involves how employees feel and whether they have a positive or negative perspective on their work. Finally, behaviourally involves real actions and behaviour implemented by employees due to cognitive and emotional aspects (Shuck et al., 2014). A positive state of PsyCap and the condition of engaged employees can have a direct impact on organizational success by improving performance and lowering turnover (Avey et al., 2009; Luthans et al., 2008; Markos & Srivedi, 2010).

Thus, PsyCap and Employee Engagement have a close relationship with each other in employees working in start-up companies. In research conducted by Costantini et al. (2017) explained that employee engagement can be increased by psychological capital. So, this research will focus on the influence of Psycap on employee engagement in employees and also see how it contributes.

The Objective of the Study
1. To see how employee engagement in start-up companies in Indonesia influences by psychological capital.
2. To see how employee engagement in start-up companies in Indonesia contributes by psychological capital.

Scope of the Study
The contribution of psychological capital to employee engagement in environments prone to uncertainty, such as start-up companies, is the focus of this research. Respondents in this study were employees who worked in start-up companies for at least 1 year from all ages and genders in any city in Indonesia.

Problem Statement
Working in a start-up company often exposes employees to uncertain and frequently changing conditions. Therefore, employees must be adaptable, flexible and tolerant of these dynamic conditions. One way is to have personal resources, namely psychological capital. Employees with psychological capital while working will have self-confidence, a sense of optimism, persistence in achieving their goals, and the ability to face difficulties amidst uncertain conditions. Apart from that, psychological capital itself can influence several factors, one of which is employee engagement. Much research has discussed psychological capital and employee engagement, but research between psychological capital and employee engagement has yet to be widely studied. In other words, there still needs to be more discussion about how psychological capital contributes to employee engagement. Based on this, this research focuses on looking at the contribution of psychological capital to employee engagement, especially for employees who work in a dynamic environment.
Research Questions
a. Does psychological capital influence employee engagement in start-up companies in Indonesia?

b. How does psychological capital contribute to employee engagement working in start-up companies in Indonesia?

Literature Review

Psychological Capital
Luthans et al., (2007) said that psychological capital is a part of positive psychology possessed by every individual, which is useful for helping that individual develop hope, self-efficacy, resilience and optimism. The psychological dimension of psychological capital is often linked to behavior and performance in the workplace, such as higher comfort at work and work enjoyment (Avey et al., 2008; Youssef & Luthans, 2007).

- Hope
  Hope enables motivated individuals to achieve success with the task at hand by seeking the best path. Hope is a condition where individuals feel persistent in achieving goals. If necessary, individuals will create their path to achieve success (Luthans, 2007).

- Self-efficacy
  Self-efficacy is a condition in which individuals have confidence in facing tasks and give their best efforts to succeed. Individuals who have high self-efficacy will perceive challenges as something that can be overcome with adequate competence and effort (Luthans, 2007).

- Resilience
  In conditions where individuals are faced with problems and obstacles, individuals will be able to survive and rise again. Adapting and overcoming problems is easier for people with strong psychological capital. (Luthans, 2007).

- Optimism
  Conditions in which individuals can make positive attributions about current and future success. Individuals who have an optimistic nature see failure as a challenge and opportunity that can lead to success (Luthans, 2007).

Employee Engagement
The conceptualization of employee engagement was based on Kahn's (1990) personal engagement (Shuck et al., 2016; Shuck & Wollard, 2010). Shuck & Wollard (2010), explain that employee engagement is a positive psychological state of being active and engaged with work, which is generated by the intensity and direction of cognitive, emotional, and behavioral energy (Shuck & Wollard, 2010). Employee engagement differs from work engagement, job engagement, organizational engagement, or social/intellectual engagement. Employee engagement is not a general term but a different one with a specific theoretical framework and definition (Saks & Gruman, 2014; Shuck et al., 2014, 2016).

- Cognitive Engagement
  Cognitive engagement comes from an individual's assessment of whether they can obtain opportunities and complete a task given sufficient resources with the required skills and whether they are physically, emotionally and psychologically safe and meaningful in their work (Shuck et al., 2014).
• Emotional engagement
Emotional engagement stems from positive cognitive appraisals that involve personal resources such as knowledge, pride, and self-confidence. Employees who are not emotionally engaged do not show connectedness and do not feel part of the organization, while employees who are emotionally engaged will feel more connected and part of the organization (Macey & Schneider, 2008). Thus, emotional engagement is the perception and beliefs held by employees who are cognitively engaged, thus influencing how these feelings and beliefs shape behavior (Shuck et al., 2014).

• Behavioral Engagement
Behavioral engagement is a real manifestation of cognitive engagement and emotional engagement (Shuck & Reio, 2011). At work environment, behavioral engagement is the intention to improve actual performance (Macey & Schneider, 2008). Behavior is what we see; however, Shuck et al. (2014) noted that engagement occur long before an employee begins to act on his or her intentions. Therefore, the behavior of engaged employees will act based on cognitive evaluation, causing them to invest their resources (emotional engagement).

Methods
This research is conducted with a cross-sectional quantitative approach using survey methods. This research has an independent variable, namely psychological capital, while the dependent variable is employee engagement. The instrument for psychological capital is the Psychological Capital Questionnaire (PCQ) by Luthans & Youssef-Morgan (2017), which consists with four dimensions (hope, efficacy, resilience, and optimism) and twenty-four items with six answer choices where the measurement method is will go through a process of adapting measuring instruments from foreign languages to Indonesian and Indonesian culture. Meanwhile, for employee engagement, we use the Employee Engagement Scale (EES) (Shuck et al., 2016), which consists with three dimensions (cognitive, emotional, and behavioral) and twelve items with five answer choices that have been adapted to in Indonesian (Astari et al., 2022). The Indonesian version of the EES has good reliability with an Cronbach's Alpha .914 and has good validity (Astari et al., 2022). The process of adapting measuring instruments in this research is based on the International Test Commission (ITC) (Bartram et al., 2018).

The sample in this study was 203 respondents. Process of collection data in this research used a non-probability purposive sampling method, with the sample criteria being employees who had worked in start-up companies for at least 1 year in Indonesia. Then, data analysis was carried out using the linear regression method, assisted by the JASP application. After completing the data analysis process, continue preparing the research article as a report.

Results and Discussion
Results

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>70</td>
<td>34.483</td>
<td>34.483</td>
<td>34.483</td>
</tr>
<tr>
<td>Female</td>
<td>133</td>
<td>65.517</td>
<td>65.517</td>
<td>100.000</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>203</td>
<td>100.000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Respondents for this study were dominated by female respondents, with 65.5% (133 respondents), while 34.4% (70 respondents) were male. Therefore, the majority of respondents to this study were women. This can be seen in Table 1.
Next, the researcher tested the validity to see the suitability of the model (fit model) of psychological capital and employee engagement using the confirmatory factor analysis (CFA) method. The test criteria used are based on Hooper et al. (2008), namely RMSEA value < .08, GFI value > .90, CFI value > .90, and Chi-square p-value < .05. Apart from that, if the p-value > .05 and NNFI > 0.90, then the results are fit. The CFA test results in Table 2 for psychological capital after deleting items 13, 15, 22, and 24 and employee engagement found that model fit was seen based on the chi-square value and other parameters to test model accuracy, such as RMSE, GFI, CFI, TLI, NFI, and NNFI shows the fit criteria. Each psychological capital and employee engagement item can describe the measured construct.

Table 2. Confirmatory Factor Analysis

<table>
<thead>
<tr>
<th>Index</th>
<th>Criteria</th>
<th>Psychological Capital</th>
<th>Employee Engagement</th>
<th>Kesimpulan</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMSEA</td>
<td>&lt; .08</td>
<td>.065</td>
<td>.029</td>
<td>Fit</td>
</tr>
<tr>
<td>GFI</td>
<td>≥ .90</td>
<td>.989</td>
<td>.963</td>
<td>Fit</td>
</tr>
<tr>
<td>CFI</td>
<td>≥ .90</td>
<td>.993</td>
<td>.995</td>
<td>Fit</td>
</tr>
<tr>
<td>Chi-square</td>
<td>&lt; .05</td>
<td>&lt;.001</td>
<td>.201</td>
<td>Fit</td>
</tr>
<tr>
<td>NFI</td>
<td>≥ .90</td>
<td>.985</td>
<td>.967</td>
<td>Fit</td>
</tr>
<tr>
<td>NNFI</td>
<td>&gt; .90</td>
<td>.992</td>
<td>.992</td>
<td>Fit</td>
</tr>
</tbody>
</table>

Table 3. Reliability

<table>
<thead>
<tr>
<th>Reliability</th>
<th>Variable</th>
<th>Cronbach's α</th>
<th>Kesimpulan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>Psychological Capital</td>
<td>.942</td>
<td>Reliable</td>
</tr>
<tr>
<td>Reliability</td>
<td>Employee Engagement</td>
<td>.914</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Table 3 shows that Cronbach's Alpha reliability value for psychological capital is .942, and employee engagement is .914. So, the psychological capital and employee engagement instruments are reliable because they have coefficient values above 0.7. These results show that the statement items in the instrument are reliable for measuring the variables.

Furthermore, the data analysis process has several requirements that must be implemented first, namely testing classical assumptions so that the model formed provides BLUE (Best, Linear, Unbiased, Estimator) estimates. Testing this assumption consists of three tests: normality, linearity, and heteroscedasticity. This test was carried out using the JASP 0.16.2.0 program.
In this research, we use the Q-Q Plot Standardized Residual for normality testing, and this can be seen in Figure 1. It is known that the points follow a diagonal line. So, the distribution of measurement data for each variable is normally distributed and meets the data normality assumption test rules. Based on this, the regression model is a linear equation and does not violate the normality assumption. In other words, the regression model has a normal distribution and a linear pattern.

Heteroscedasticity describes an unequal variance of error for all measurement results of psychological capital as independent variables in the regression model. Based on Figure 2, the results of data heteroscedasticity testing using Residuals vs. Predicted can be seen. The results show that the spread points do not form a pattern, and the spread is above and below point 0 on the vertical axis. Based on these results, it can be concluded that there is no heteroscedasticity problem.
Based on Table 4, the regression analysis results show that the p-value obtained is smaller than the 5% error level (p<.05), so it can be stated that H₁ is accepted. This explains that, psychological capital has a significant influence on employee engagement. In Table 5, the R-value is .395 and is positive, which means that there is a positive influence of psychological capital on employee engagement, meaning that the better psychological capital value that employees have, the better employee engagement. The determinant coefficient (R-Square) is .156, meaning that the contribution of psychological capital to employee engagement is 15.6%, while 84.4% is influenced by other factors that are not observed in this research.

Discussion
This research examines the contribution of psychological capital to employee engagement in employees working in start-up companies in Indonesia. As we all know, working in a start-up company has many challenges, especially in dealing with dynamic situations. Business owners must invest in human resources for the success of their business. Business owners hope that their employees can easily adapt, be able to face difficulties, and remain enthusiastic about working in uncertain situations. Start-up companies in Indonesia are increasing, thereby increasing competition in the business world. Only a few start-up companies in Indonesia can survive. This is influenced by many factors, including the company’s inability to select superior human resources. Therefore, this research highlights psychological factors (psychological capital and employee engagement) that can help employees face dynamic work situations.

As shown in Table 4, psychological capital significantly influences employee engagement. Apart from that, the influence of psychological capital on employee engagement is positive, meaning that the stronger your psychological capital, the stronger the employee engagement will be for employees working in start-up companies in Indonesia. This finding also aligns with other research (de Waal & Pienaar, 2013; Paek et al., 2015; Witasari & Gustomo, 2020). The results of this research are also in line with Bakker et al. (2006), who found that optimism, self-efficacy, and resilience contribute to engagement. However, the findings from our research show that psychological capital is not a strong predictor of encouraging employee engagement. This finding also aligns with de Waal and Pienaar’s (2013) research, which states that psychological capital cannot predict employee engagement.

Sweetman & Luthans (2010) explain that psychological capital can directly relate to engagement and should not be considered as fleeting fluctuations or changes. This research illustrates that psychological capital is an important factor that can encourage employee engagement. Sweetman & Luthans (2010) also explain that the positive emotions created by the correlation between psychological capital and employee engagement that are the foundation of their strong relationship. Therefore, employees with psychological capital, such as self-confidence, optimism, diligence at work, and the ability to survive in the face of difficulties, can be encouraged to become engaged employees. Finally, employees who are engaged with their work can show their enthusiasm while working, are proud of their work, feel challenged, and are willing to try to carry out their work...
tasks. According to Kahn (1990), engagement can shape how an employee chooses to be present or absent at work. Although previous studies explain that employee engagement is influenced by various factors that can improve work results, little research still considers psychological factors such as psychological capital (Paek et al., 2015).

The results of this study align with expectations that are psychological capital has a positive and significant influence on employee engagement, although the contribution of psychological capital to employee engagement is not too large. However, this research confirms that employees with psychological capital can lead to extra behaviour at work. Apart from that, employees who are considered engaged will have responsibility for their work because they are resilient to work challenges. In addition, based on Fredrickson (2001), the theory of positive emotions explains that employees will reciprocate positive behaviour when they feel good and positive about their work. Psychological capital influences employee engagement, which is strong evidence in this research. The interpretation of this research is that employees who work in start-up companies with dynamic working environments and conditions will be more active in daily work life because they have to face uncertainty rather than build personal resources (psychological capital).

In the end, this research confirms the important role of psychological capital and adds that psychological capital contributes to employee engagement. This research also confirms that other factors, along with psychological capital, can encourage employee engagement.

**Limitations and Future Studies**

Researchers found that the contribution of psychological capital to employee engagement could be stronger. However, the view on this variable can be maintained because its influence is positive and significant. In addition, our study did not examine the relationship between each subdimension of each variable. This is what limits our research. What we examine here still needs to be improved because the relationships between the sub-dimensions of each variable may have been ignore. Apart from that, there are also practical obstacles and time lags, which can affect the results.

The respondents in this research are employees who work in start-up companies. It is not specific and general. Therefore, these findings cannot be generalized to other occupational groups, such as manufacturing or companies that are not start-ups. Therefore, similar studies should be conducted in other organization to verify these findings and draw even better conclusions from this research. Future researchers are also expected to be able to examine employee engagement variables using different independent variables to find out what factors have a dominant influence on employee engagement.

**References**


