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Integrating Psychological Capital into Your Sales Organization

Scott Friend, PhD, Jeff Johnson, PhD, Fred Luthans, PhD, and Ravipreet Sohi, PhD

The Dalai Lama once said, “In order to carry a positive action, we must develop here a positive vision.” It’s no secret that a positive outlook can have dramatic impacts on a person’s day-to-day activities. In fact, according to the Mayo Clinic, positive thinking can result in increased life span, lower rates of depression, and better psychological and physical well-being (Mayo Clinic 2014).

With clear benefits, it stands to reason that employers should focus on promoting a positive work environment. However, in sales – a dynamic profession riddled with stress-filled days and common denials – the potential impact of positive psychological factors is largely absent from the literature. With performance improvements and human resource development on the line, psychological capital stands to positively impact employee attitudes, behaviors, and performance.

The Intricacies of Psychological Capital

Originally formulated by Luthans (2002) for the field of organizational behavior and human resource management, psychological capital is defined as a “positive psychological state of development that is characterized by: (1) having confidence (self-efficacy) to take on and put in the necessary effort to succeed at challenging tasks, (2) making a positive attribution (optimism) about succeeding now and in the future, (3) persevering toward goals and, when necessary, redirecting paths to goals (hope) in order to succeed, and (4) when beset by problems and adversity, sustaining and bouncing back and even beyond (resilience) to attain success” (Luthans, Youssef, and Avolio 2007, p.3).

Psychological capital sales research provides a new lens to understanding salesperson-motivated effort and perseverance which may drive sales performance, offset the high cost of salesperson turnover, improve cross-functional sales interfaces, and enrich customer relationships. So, for leaders of real estate agencies, psychological capital promises to impact the top and bottom lines.
The resources that make up psychological capital were derived by Luthans (2002) based on scientific criteria of having theory and research, demonstrated valid measurement, being open to development, and having desired impact. The four that best met these inclusion criteria were hope, efficacy, resilience, and optimism (HERO):

- **Hope** – one’s ability to set goals, self-motivation to accomplish goals, and ability to proactively determine alternative routes when achieving goals – is a valuable tenet. Those higher in the hope capacity are better able to derive multiple pathways to job success and accomplish their goals in a given situation. Further, those higher in hope utilize contingency planning as they forecast obstacles to achieving goals and identify multiple pathways to attain their targeted goals (Snyder 2000).

- **Efficacy** represents a positive belief in one’s ability to take on challenges and expend the necessary effort to succeed. Efficacious employees are typified as more confident in their abilities, and in turn, more persistent and likely to engage in task-specific activities (Bandura 1986).

- **Resilience** determines the difference between those who recover from adversity and those devastated by diversity. Those exhibiting higher levels of resilience recover psychologically to higher levels equal to or even beyond previous levels of homeostasis (Richardson 2002).

- **Optimism** represents a positive outlook to outcomes, including positive emotions, motivation, and realism. Unlike pessimists, optimists “differ in how they approach problems and challenges and differ in the manner and success with which they cope with adversity” (Carver and Scheier 2002, p.231).

While the four positive resources noted above may appear on the surface to be similar, considerable evidence exists in both the positive psychology and psychological capital literature demonstrating their conceptual and empirical differences (Luthans, Avolio, Avey and Norman 2007).

**Applications of Psychological Capital to Sales**

Psychological capital has important implications for both individual-level salesperson outcomes and intra-organizational and extra-organizational sales contexts. Individually, employee psychological capital is frequently positively related to positive individual-level outcomes (e.g., performance, satisfaction) and negatively associated with undesirable individual-level outcomes (e.g., turnover intentions).
Performance
Relating to performance, salespeople higher in psychological capital are likely to be more energized than their counterparts. These salespeople put forth effort manifested in higher performance over extended periods of time because they believe they are capable of achieving high performance (i.e., they have higher self-efficacy). Further, salespeople high in psychological capital have willpower and generate multiple solutions to problems (i.e., they have more hope). They make internal attributions and have positive expectations for future results (i.e., they operate with higher optimism), and they respond positively and persevere in the face of adversity and setbacks (i.e., they exhibit stronger resilience). Together, the four psychological capital resource components (HERO) tend to increase performance because they reinforce extra effort from salespeople, promote the generation of multiple solutions to problems, enhance positive expectations about results, and engender positive responses to setbacks.

Attitudes
Sales research commonly focuses on reducing salesperson role stress, improving satisfaction, and reducing costs associated with turnover. While psychological capital is primarily directed at performance improvement, employees with high psychological capital levels also display more positive work attitudes, such as satisfaction and commitment (Luthans, Youssef, and Avolio 2015), and are better equipped to combat stress (Avey, Luthans, and Jensen 2009). Psychological capital negatively relates to undesirable outcomes, such as turnover intentions and job search behaviors (Avey, Luthans, and Jensen 2009; Avey, Avolio and Luthans 2011).

Intra-Organizational Effects
A leader’s psychological capital has a positive impact on the psychological capital of his or her followers (Story et al. 2013), which in turn results in numerous desirable attitudinal, behavioral, and performance outcomes. Leaders with high psychological capital act as models for their followers and positively influence their psychological capital.

Such leader-follower psychological capital transference is referred to as the contagion effect. As followers observe the combined positive impact of the four psychological capital resource components in action, they are more likely to emulate the behaviors associated with their leader’s psychological capital (Story et al. 2013). Modeling includes directly observable positive behaviors, as well as positive cognitions such as setting
challenging goals, pursuing goals, solving problems creatively, planning for contingencies, appraising situational factors in a positive manner, and operating with high self-motivation. The underlying contagion premise also holds true to sales-based intra-organizational relationships, such as peer-to-peer interactions and team transference.

**Extra-Organizational Effects**

Outside the organization’s boundaries, *psychological capital* may similarly influence performance and attitudinal outcomes. This is explained by signaling theory which provides a framework for how employees signal their value and future benefits to potential partners through controllable and meaningful elements of personal presentation (Spence 1973). With regard to relationships between individuals, the positive effect of a salesperson’s attitudes may transfer over to the customer and improve customer satisfaction.

Not surprisingly, the concept of *psychological capital* presents a tremendous opportunity for real estate professionals facing challenging situations each day. In describing the benefits of *psychological capital* through our research, real estate and sales professionals alike can greatly benefit and improve their sales outcomes.

**Implications for Real Estate Sales Professionals**

What does *psychological capital* mean for real estate professionals? Seasoned real estate professionals are bound to be familiar with the benefits of a positive work environment. However, by keeping the numerous benefits of *psychological capital* in mind, one can improve sales-specific relationships and outcomes.

As a real estate professional, you no doubt interact with many people each day. Individually, your outlook on life has a major impact on your attitudes, behaviors, and performance. If you work in an office, you experience *intra-organizational outcomes* – those around you may have an impact on you through the contagion effect. But the real estate agent’s life is not confined to an office – you likely remain constantly on the move as you encounter clients. The agent-buyer-seller relationships you form are influenced by *extra-organizational outcomes*.

Perhaps most importantly, each of the four *psychological capital* resources is malleable and open to development (see PsyCap Interventions and training modules; Luthans, Avey, and Patera 2008). As an agent, each of the four components can thus have a major impact on your daily life and be continually advanced:

- **Hope**: It’s no secret that things often do not go as planned, especially in the world of real estate. However, as mentioned above, those high in hope are better able to derive multiple pathways to job success. Remaining hopeful (and reflecting upon previous successes) allows you to move past obstacles – lost deals, fickle buyers, etc. And, when
you do get slowed down by an obstacle, hope allows you to quickly launch into a predetermined alternative pathway preventing you from being stuck long.

- **Efficacy:** Confidence is key to the role of an agent. If you fail to instill confidence in your seller or buyer, they are likely to be leery of trusting your advice and may seek alternative options. As an agent, it’s not a question of if challenges will arise, but when. Efficacious employees are typified as more confident in their abilities, and in turn, more persistent and likely to engage in task-specific activities.

- **Resilience:** Failure will happen. A deal will fall through at the last minute or a strong lead will pick a competing agent. The role of a real estate agent is filled with adversity and high failure rates. Add outside commitments, such as a family, and you’re bound to experience conflict. However, the true merit of a successful agent is in those who are able to recover from setbacks quickly. Don’t dwell on the incident. Learn from your mistakes and press on knowing there are many more opportunities to be discovered.

- **Optimism:** Aim to be a “glass half full” person in your daily life and you’re sure to see differences. A family of four searching for a dream home on a tiny budget may seem like a challenge. But, with an optimistic outlook, an agent will be more likely to reach success and put forth the effort necessary regardless of increasing challenge.

Ultimately, agents high in *psychological capital* will find themselves filled with willpower and constantly seek out solutions to problems. Instead of giving up and blaming the world for issues, they will respond positively and persevere. With extra effort, multiple solutions to problems, and positive expectations, a real estate agent possessing *psychological capital* will no doubt see improved performance.

**Conclusion**

While having a positive outlook on life will lead to a great enjoyment of life, it’s clear that the impact will be seen in the workplace as well. For real estate professionals, the daily adversity and challenges can often drag agents down and act as a constant reminder of the difficulty of the profession. However, with an emphasis on the four components of *psychological capital*– hope, efficacy, resilience, and optimism – and a focus on the added intra- and extra-organizational outcomes, a real estate professional is sure to benefit from an increase in *psychological capital*.

**Recommended Reading**

Additional Resources


Luthans, Fred, Carolyn M. Youssef-Morgan, and Bruce J. Avolio (2015), Psychological Capital and Beyond, Oxford: Oxford University Press.


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Dr. Scott Friend (PhD – Georgia State University) is an Assistant Professor of Marketing at Miami University’s Farmer School of Business. Dr. Friend’s research focuses on issues of relevance to sales force management, sales strategy, and creating customer value. More specifically, his work focuses on buyer-seller relationships, sales performance and sales failure, and key account management. Friend's work has been published in the Journal of Service Research, Journal of Personal Selling & Sales Management, Journal of Marketing Theory and Practice, Journal of Business Research, and Industrial Marketing Management. Further, Friend’s dissertation, entitled Why Are You Really Winning and Losing Deals: A Consumer Perspective on the Determinants of Sales Failures won the 2011 American Marketing Association (AMA) Sales SIG Dissertation Award. Dr. Friend has taught an array of courses at Georgia State University, the University of Nebraska-Lincoln, and Miami University including Creating Customer Value, Professional Sales, Sales Force Management, Business-to-Business Marketing, Marketing Research, and Principles of Marketing.

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Fred Luthans received his BA, MBA and PhD from the University of Iowa. After graduation, he served for two years as a Captain in the U.S. Army where he taught leadership at West Point. He then spent his long academic career at Nebraska where he is University and George Holmes Distinguished Professor of Management, Emeritus. A former President of the National Academy of Management, Luthans has published several major books and over 200 articles with over 40,000 citations. He has received numerous awards including in the past year a leadership award for his work in psychological capital from the Harvard Medical School and the Omaha Chamber of Commerce Individual Contribution to Best Places to Work. For further background see his entry in Wikipedia, interviews on YouTube, publication profile in Google Scholar and his University of Nebraska web page with downloadable articles.

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