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Linking psychological and social capital to organizational performance: A moderated mediation of organizational trust and proactive behavior

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ABSTRACT

Managing employees' personal, psychological, and social capital is now considered key to sustained public sector organizational success. This study draws on Conservation of Resources (COR) theory to suggest the mechanisms and processes by which psychological capital and social capital are likely to influence such organizational performance. A phased, time-lagged online survey was conducted among 298 Israeli public servants at the managerial level working in government agencies. The theoretical model provides a novel, holistic perspective suggesting that stimulating personal and social resources will be fruitful, leading to improved organizational performance through organizational trust as a mediator and proactive behavior as a moderator. The result supports important insights from COR theory and its tenets, bearing on the under-researched public sector context. Practically, this study underlines how socio-psychological factors support the entire process of improving the human capital in the managerial level within the public sector.

1. Introduction

Public sector employment is typically characterized as labor intensive, conforming to the critical need for its employees to deliver services. These organizations are tasked with the great challenge of encouraging employees to invest their resources for the benefit of the organization (Knies & Leisink, 2018). The invaluable human factor contribution is currently considered as being of quintessential importance to the organizational process (Isik et al., 2015). Therefore, it may serve as a foundation for optimal workplace performance (Gorgievski et al., 2011). While Gorgievski et al. (2011, p. 6) questioned "What types of resources would be relevant to a specific process in a specific context," a relative lack of research on human capital resources in the public sector still obtains (Kravariti & Johnston, 2020; van der Kolk et al., 2019). Drawing on the tenets of the Conservation of Resources (COR) theory (Hobfoll, 2011; Hobfoll et al., 2018), this paper investigates how psychological capital and social capital may lead to perceived organizational performance through a moderated-mediation effect of organizational trust as a mediator and proactive behavior as a moderator.

This research addresses the next two gaps in the literature: First, this

study applies COR theory to provide greater understanding of and emphasis on the reciprocal relationships between resources and the degree to which the environmental context fosters creation, maintenance, and limitation while conserving limited resources. Although "resource" is a key concept in COR theory, it remains ill-defined (Hobfoll et al., 2018). Hobfoll et al. (2003) argued that resources encompass whatever an employee values, such as job resources or personal resources (Hobfoll et al., 2003). However, this ambiguity then led Hobfoll et al. (2018) to argue that COR theory is best used when integrated with specific theories concerning the micro level of a given resource or a set of resources in a given context. In this regard, Halbesleben et al. (2014) expand our understanding about the sophisticated dynamics of resources by extending COR theory tenets, defining resources as anything perceived by an individual as helping to attain goals (p. 1338).

The "resource caravan passageways" tenet explains the high correlations between resources and their tendency to travel together, that is, in resource caravans (Hobfoll, 2011; Hobfoll et al., 2018). In an attempt to clarify the mechanisms that yield performance several studies have adopted the notion that high levels of resources are required (Khattak & O'Connor, 2020). This study expands contemporary research by

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exploring how positive resource caravan passageways can lead to improved public sector organizational performance through a moderated mediation effect of organizational trust as a mediator and through proactive behavior as a moderator (Fig. 1).

Second, the question of how psychological capital and social capital affect organizational performance remains open, despite recent studies drawing heavily from the framework of COR theory in the public sector, and with recognition of ways resources play a critical role in predicting employee work behaviors (Khattak & O'Connor, 2020; Lupsa et al., 2020; Teo et al., 2020). Research has illuminated the relationship between psychological capital or social capital and performance (Avey et al., 2011; Fonti & Maoret, 2016; Newman et al., 2014; Ozyilmaz, 2020). However, there remains a glaring empirical and pragmatic omission in our understanding of how public servants' resources enhance organizational performance (van der Kolk et al., 2019).

Naturally, no study can effectively address every resource affecting a given public sector environment. Therefore, the challenge is to advance our understanding of resource interaction and to offer new ways of testing those resource investment processes relevant to the theory (Hobfoll et al., 2018). Underscoring this research gap, this study focuses on the role of managers' psychological capital, as this captures an individual's psychological capacities available to be harnessed for performance improvement, and the role of social capital, as it provides a suitable context for higher human resource productivity in an organization (Tafti et al., 2018).

The following sections lay out the theoretical background and develop these central issues. Hypotheses based on this theoretical development are then formulated, the methods used to test these hypotheses are outlined, and the results are presented. We conclude with a discussion of the findings and practical implications.

2. Theoretical background

2.1. Conservation of Resources (COR) theory as a conceptual framework

COR is a motivational theory that explains much of human behavior as based on how people employ key resources, both personal and social, to build a reservoir of sustaining resources for future needs (Hobfoll et al., 2018). Specifically, COR theory is now regarded as fundamental to the field of positive psychology (Hobfoll, 2011). Proposed as a theory of motivation, the basic tenet of COR theory holds that people are motivated to protect their current resources (conservation) while acquiring new ones (acquisition) (Hobfoll, 2011). An updated version of COR theory moves beyond the study of stress to explore the dynamics of resources in general and, more specifically, in the organizational setting (Hobfoll, 2011). Halbesleben et al. (2014) integrate insights from strategic management literature with COR theory, and argue that resources will facilitate progress toward goal achievement.

COR theory also possesses a central socio-cultural view of resources whereby they are socio-culturally not individualistically framed. Stated

differently, resources do not exist in isolation; rather, they tend to aggregate in "resources caravans" (Hobfoll, 2002). Hence, most perceptions are viewed as common to members sharing a cultural niche (Hobfoll, 2002). Therefore, resources are not limited to acting in a self-regulatory fashion, and social support is generally assumed to assist when addressing work demands (Hobfoll et al., 2018). While psychological, physical, organizational, or social aspects of the job are all considered job resources, an individual's self-evaluation and sense of a capacity to master certain external circumstances are considered to be personal resources (Hobfoll et al., 2003).

At the organizational level, caravan passageways provide the environmental conditions that support, foster, and protect the resources of both individuals and organizations. The passageway concept helps explain the high correlations among resources and their tendency to travel in resource caravans (Hobfoll, 2011, p.119). Resource passageways facilitate organizational members as they become more productive and meet the organization's mission. This study builds on COR Theory (Hobfoll, 1989, 2002) to study how managers perceived organizational performance results from their actual personal-psychological and social resources within the workplace.

2.2. Perceived organizational performance

Organizational performance is important to scholars across the entire domain of management research as the ultimate dependent variable. However, there is little agreement on an accepted theoretical definition of performance (Richard et al., 2009). The focus of attention on organizational performance has been placed almost completely on financial measures of performance in strategy literature. However, HR literature largely favors the use of more subjective (perception-based) measures in this construct (Darwish et al., 2016).

Since public sector organizations cover a wide range of public sector services and multiple objectives (Kamaruddin & Abeysekera, 2013), defining performance for measurement in public sector organizations is complex (Propper & Wilson, 2003). Within the work environment of the public sector, performance is defined more broadly than some meanings of productivity (i.e., efficiency). Since profit maximization objectives do not in the main drive the public sector, it may be suggested that performance should be judged from a nonfinancial perspective (Usoff et al., 2002).

Subjective measures of organizational performance are often more important than individual performance in public organizations as the collective work individuals together creates the quality of the service (van Loon et al., 2018). It is particularly important to note that subjective measures of performance have considerable validity as equivalent to objective measures; therefore, they are widely used in research both in private and public sectors (Carmeli & Schaubroeck, 2008; Delaney & Huselid, 1996; Kearney & Berman, 2018; Singh & Srivastava, 2016). However, there remains a notable absence of reportable nonfinancial criteria to measure public sector organizational performance (Kamaruddin & Abeysekera, 2013). Current public sector work on environmental managing of employee's personal, psychological, and social capital has become a key to success regarding sustained organizational performance (Boselie & Thunnissen, 2017; Suh, 2018).

2.3. Presentation of hypotheses

2.3.1. Psychological capital and perceived organizational performance

Psychological capital is explained as a positive psychological state of development in individuals, and it relates to the growth in knowledge, skills, technical abilities, and experience (Luthans & Youssef, 2004). Conceptually, psychological capital is recognized as an important human asset integrating four main positive psychological resources, known as HERO: *hope* (persevering toward goals and, when necessary, redirecting paths to goals to succeed); *efficacy* (having the confidence to take on and invest the necessary effort to succeed at challenging tasks);

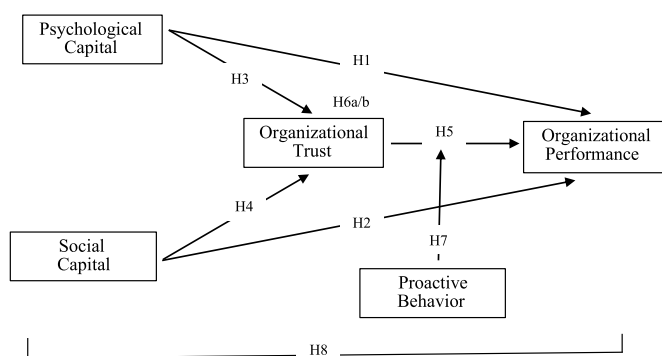


Fig. 1. Research model.

resilience (when beset by problems and adversity, sustaining and bouncing back and even beyond to attain success), and; *optimism* (making a positive attribution about succeeding now and in the future) (Luthans et al., 2007). HERO expresses a sense of control, intentionality, and agentic goal pursuit (Luthans & Youssef-Morgan, 2017). Individuals high in psychological capital have been found likely to possess greater belief in their ability to deal with various job-related challenges (Newman et al., 2014). Psychological capital literature supports the higher-order factor structure of the core construct, and it predicts both desirable levels of performance (self-reported, manager-rated, and objective performance), positive attitudes and behaviors, and lower levels of undesirable attitudes and behaviors (Salanova & Ortega-Maldonado, 2019).

COR theory permits the assumption that employees exhibiting a high level of psychological capital have more goal-oriented resources to draw upon (Hobfoll, 2002) and thus can perform better than those with a lower level of psychological capital (Luthans et al., 2008). Psychological capital is one form of strategic resource that has gained increasing attention in the literature for its influence on human performance (Avey et al., 2010; Liu, 2013; Newman et al., 2014; Salanova & Ortega-Maldonado, 2019). Xu et al. (2017) applied COR theory, and found that leaders' psychological capital is a critical job resource for employee behaviors. While psychological capital has proven to be related to performance at the individual level (Avey et al., 2011; Liu, 2013; Newman et al., 2014), however, the question remains untested whether psychological capital adds value to organizational performance. In the context of COR theory, little has to date come to be known about ways psychological capital can influence perceived organizational performance in the public sector context. The following hypothesis is introduced based on this rationale:

H1. Psychological capital positively correlates to perceived organizational performance.

2.3.2. Social capital and perceived organizational performance

Hobfoll (2002) distinguished between contextual and personal resources. Contextual resources are located outside the self and can be found in an individual's various social contexts. Recently, Luthans and Youssef-Morgan (2017) suggested that while psychological capital is agentic and internalized, it is not devoid of social mechanisms. To concretize this concept: while psychological capital devolves from "who you are", social capital relies on "who you know" (Luthans et al., 2004). Social capital is defined as "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit" (Nahapiet & Ghoshal, 1998, p. 243). Another perspective of this construct, namely, that internal or organizational social capital focuses on the relationships among actors within a social collective (Adler & Kwon, 2002; Ben Hador, 2017). Social capital is considered as a property of the social environment and takes the form of a relational resource (Mignone, 2009).

COR theory can be viewed in motivational terms that explain how employees build resources through social investments, and, thereby function better (Hobfoll et al., 2018). Indeed, COR theory argues that the acquisition of social resources is actively sought after to perform effectively in the work context (Halbesleben et al., 2014). Until recently, studies found empirical support for the COR theory through a consideration of social capital as one resource providing access to still other valuable resources (Andresen et al., 2018; Habets et al., 2021; Siu et al., 2015). In the organizational context, social capital, while an intangible resource, can contribute to the organizational equity, specifically through performance (Ben Hador, 2017). A small but growing number of studies highlight the role of social capital as an important determinant of organizational performance (e.g., Andrews, 2010; Fonti & Maoret, 2016; Nahapiet & Ghoshal, 1998). Despite calls for research on the social capital potential role in public sector organizations (Andrews, 2017; Pil

& Leana, 2009; Tantardini & Kroll, 2015), the literature in this area remains scarce. Analogously, we suggest that managers who grasp social capital in their organization as a concrete, useable resource are more likely to manifest a higher level of perceived organizational performance. Therefore, our second hypothesis maintains the following:

H2. Social capital positively correlates to perceived organizational performance.

2.3.3. Psychological capital and organizational trust

An extension to COR theory holds that trust is defined as belief about the value of investment that individuals consider in the 'strategic' investment decision process (Halbesleben et al., 2014; Halbesleben & Wheeler, 2015). Organizational trust, or, in Huff and Kelley's (2003) terminology, 'internal trust', encompasses work-based relationships between an employee and the rest of the organization. Organizational trust is defined as "positive expectations individuals have about the intent and behaviors of multiple organizational members based on organizational roles, relationships, experiences, and interdependencies" (Shockley-Zalabak et al., 2000, p. 37). While previous literature discussed interpersonal trust, only a handful of studies have thus far considered employees' trust in their organization as a whole (Verburg et al., 2018).

Given that organizational trust is created in accordance with the organizational members' values, attitudes, states of mind and emotions (Jones & George, 1998), psychological capital can be thought of as managers' overall psychological capacity that can be better used to predict their trustworthiness within their organizations. Previous studies revealed that psychological capital and trust in management and group trust (Bitmis & Ergeneli, 2013; Walumbwa et al., 2011), as well organizational trust (Yildiz, 2019), were positively correlated. Drawing on the concept of resource caravans (Hobfoll, 1989, 2002), which suggests that different types of resources may have mutually reciprocal effects, we propose that psychological capital, as a manifestation of positive psychological state of individuals, is highly relevant to building and maintaining organizational trust. Based on this rationale, the following hypothesis is suggested:

H3. Psychological capital positively correlates to organizational trust.

2.3.4. Social capital and organizational trust

Although research in social capital has flourished, we have yet to gain a good understanding of the nature of the relationship between social capital and trust (Son, 2015). While some researchers conceive of trust as a component of social capital (e.g., Leana & Van Buren, 1999; Nahapiet & Ghoshal, 1998), others assume that social capital and trust are independent concepts (Cheshire et al., 2010; Cook et al., 2005; Son, 2015). Recently, organizational social capital was found to be associated with trust, denoting that organizational resources are material to expanding trust (Son, 2015). COR theory argues that the acquisition of social resources is sought to perform effectively in the work context (Halbesleben et al., 2014). Ten Brummelhuis and Bakker (2012) refer to social resources as illuminating the extent to which individuals need to mobilize resources most directly within their reach. We therefore anticipate that a social resource such as social capital strengthens organizational trust. This leads to the following research hypothesis:

H4. Social capital positively correlates to organizational trust.

2.3.5. Organizational trust and perceived organizational performance

Higher levels of trust motivate employees toward team and organizational goals rather than individual objectives (Mishra, 1996). Generally, research is beginning to show that trust in organizations has important consequences for attitude and preference outcomes (Fulmer & Gelfand, 2012). In conjunction with COR theory, trust is a signal that investment of resources will help the individual realize his or her goal of achieving still more resources (Halbesleben et al., 2014). In an

environment where trust is abundant, greater resources are available for productive activities (Lim et al., 2018). In the public sector, Carmeli and Tishler (2004) found that intangible elements have a significant effect on organizational performance. In this regard, an organization's ability to build and maintain high levels of organizational trust is critical to effective organizational functioning (Shockley-Zalabak et al., 2000; Singh & Srivastava, 2016). Consistent with assertions from prior research, we suggest the following hypothesis:

H5. Organizational trust positively correlates to perceived organizational performance.

2.3.6. The mediating role of organizational trust

Trust's mediating role may provide a novel resource-based explanation when trust literature is linked to COR theory (Bouckennooghe et al., 2014; Dong et al., 2020; Halbesleben & Wheeler, 2015). Halbesleben and Wheeler (2015) delineate a resource process through which coworkers support is perceived as a resource, which increases trust's instrumentality and, which in turn, leads to greater organizational citizenship behavior. Additionally, Dong et al. (2020) found that trust's mediating role provides a resource-based explanation for the leader-member exchange differentiation and its relation to employees' voice. Further, Bouckennooghe et al. (2014) found that trust in one's supervisor acts as mediator between personal resource (self-regulation of emotions) and work engagement.

Scholars have theorized that psychological capital relates to trust in management, which in turn has an impact on a firm's performance (Luthans & Avolio, 2003; Mayer & Gavin, 2005). Following this, trust fully mediates the relationship between psychological capital and change in unit sales performance (Clapp-Smith et al., 2009). Costa et al. (2009) found that team social capital is positively related to team performance. In addition, teams with high social capital reported higher levels of trust than teams with low social capital. Social capital enables people to get things done, since it is the sole existing access to accomplish their purposes (Cook et al., 2005). Here, we extend previous work by empirically exploring the resource process through which psychological capital and social capital might affect perceived organizational performance in the public sector through organizational trust. This leads to the following research hypotheses:

H6a. Organizational trust mediates the relationship between psychological capital and perceived organizational performance.

H6b. Organizational trust mediates the relationship between social capital and perceived organizational performance.

2.3.7. The moderating role of proactive behavior

Crant (2000, p. 436) defines proactive behavior as "taking initiative in improving current circumstances or creating new ones; it involves challenging the status quo rather than passively adapting to present conditions." Conceptually, proactivity involves two main approaches: first, according to the trait approach, proactivity is a relatively stable individual disposition labelled proactive personality (e.g., Bateman & Crant, 1993); second, the behavioral approach showing that proactive behaviors are related to workplace factors and organizational variables (e.g., Belschak & Den Hartog, 2010; Caesens et al., 2016; Vough et al., 2017). The public sector increasingly recognizes the importance of proactivity in improving organizational performance (Nicholson-Crotty et al., 2017). Proactive behaviors represent a sine qua non for enhancing individual and organizational effectiveness in uncertain environments (Baer & Frese, 2003). A large and growing literature has demonstrated convincingly that proactive behavior becomes a critical determinant of organizational success and performance (Crant, 2000; Salanova & Schaufeli, 2008; Wu et al., 2018). More generally, results of meta-analysis suggest that proactivity may serve as a stronger predictor of subjective performance criteria (Thomas et al., 2010).

By linking the proactivity literature to COR theory (i.e., Boudrias

et al., 2021; Zhao & Guo, 2019), proactive behavior becomes a resource utilizing tactic and, as such, captures organizational members' efforts to better utilize resource capital. Dikkers et al. (2010) demonstrated in the Netherlands that the moderating role of perceiving proactive personality as a personal resource assist in explaining the relationship between job demands and resources with engagement in a governmental organization. Considering COR theory, Guan and Frenkel (2019) found that social resources facilitate job resource accumulation and enable the promotion of employees' proactive behavior aimed at achieving higher performance. As a coping resource, proactivity was found to play a moderating role in the abusive supervision-helping behavior linkage (Zhao & Guo, 2019).

One of COR theory's central propositions holds that proactive behaviors are meaningfully related to key organizational criteria (Dikkers et al., 2010), such as organizational trust. Against this backdrop where individuals strive to protect existing resources while make investments that enable them to gain additional resources (Hobfoll, 1989, 2011), resource acquisition is easier when people already possess a substantial resource level (Halbesleben et al., 2014). Whereas, internal trust brings positive expectations about the intentions and behaviors of multiple organizational members (Shockley-Zalabak et al., 2000), employees display proactive behaviors by providing new approaches that improve workplace procedures (Belschak & Den Hartog, 2010), finally enhancing organizational performance. The current study proposes that managers who perceive high levels proactive behavior are better able to display organizational trust, eventually leading to perceived organizational performance. This leads to the following research hypothesis:

H7. Proactive behavior moderates the effect of organizational trust on perceived organizational performance such that the effect is stronger when *proactivity behavior is higher*.

2.3.8. A moderated-mediation model

Grounding in mediation and moderation is essential to explain their integration in our research model. This study draws on previous work that discussed why and how integrating mediation and moderation offers a more complete understanding of a phenomenon than focusing solely on either (Cafferkey et al., 2019; Karazsia et al., 2013). Just as bivariate relations may be moderated by a third variable, so too may the strength of a mediating relationship change as a function of some other variable. The present research synthesizes these insights, suggesting a model in which the strength of a mediating pathway is moderated by another variable, that is, one that may vary as a function of some other individual difference (Karazsia et al., 2013). Correspondingly, in our proposed research model, the mediating mechanism (organizational trust) offers explanations of why the predictor (psychological capital and social capital) produces an effect on the outcome of interest (perceived organizational performance). As a variable that is influenced by a predictor and subsequently influences a criterion, the proposed mediator functions as both a criterion and a predictor. Individual or group characteristics do not, in and of themselves, result in productivity; rather, they provide as its foundation. Thus, productivity stems first and foremost from the behavior of employees (Wright & McMahan, 2011). Therefore, the moderator variable answers the questions of when or for whom a given relation exists (Holmbeck, 1997) and, together with the mediator variable, presents a moderated-mediation model (Hayes, 2018). Based on the explanation elaborated above, the conditional indirect effect of psychological capital and social capital on perceived organizational performance through trust is also considered as a function of proactive behavior.

H8. Proactive behavior moderates the mediating effect of organizational trust on the relationship between psychological capital, social capital, and perceived organizational performance such that the mediating effect is stronger when proactive behavior is higher.

3. Method

3.1. The Israeli public sector context

This study has been conducted within the context of the Israeli government reform/program, and targets the “creation of human capital management theory in the Civil Service” (, p. 8 [Civil Service Commission, 2017](#)), with a particular emphasis on investment in human capital among senior level civil servants, since this provides the infrastructure for public performance. The Bank of Israel’s report on labor market characteristics states that, in 2020, a total of 3,913,400 people were employed, with slightly more than a third working in the public sector ([Bank of Israel, Table 5.A.3, 2021](#)). A recent OECD (Organization for Economic Co-operation and Development) report indicates that from a comparative view Israel has a relatively large public sector, two percentage points above the OECD average ([OECD, 2021, p. 12](#)).

Similar to many developed nations, the Israeli public sector has faced major challenges over the last decade in its effort to improve service to the public and enhance government processes. Beginning in 2016, the Israeli government implemented a vast reform program concentrating on human capital, as this encompasses a significant value for governance and the level of ministerial executive capacity in terms of the economy, society, and the public interest. A key reform objective focuses on strengthening the senior management layer and management capabilities ([Civil Service Commission, 2017](#)). Considering this reality, the perspective on resource investment stresses performance and corporate social responsibility at the organizational level ([Hobfoll et al., 2018](#)). Our survey was conducted in this context, that is, where the issue of public sector performance was identified as a key priority and a decision was made to cultivate the managerial level, because they have a critical lead role in the successful implementation of public services.

3.2. Procedure, sample, and participants

A time-lagged online survey was conducted through iPanel, which is a broad and representative database online panel in Israel. iPanel strictly adheres to ESOMAR’s principles (<http://www.ipanel.co.il/en/academic-research/>). Survey data were collected at two chronological points separated by a lag of two months to reduce potential influence of common method bias ([Podsakoff et al., 2003](#)). Psychological capital, social capital, organizational trust, and demographic information were measured at Time 1, while proactive behavior and perceived organizational performance were measured at Time 2.

The survey was conducted among public servants at the managerial level. In the first wave of the online survey, a total of 550 managers filled out the complete questionnaire (an 82.3% response rate). In the second wave, a second part of the survey was sent to these respondents, of whom 303 completed the questionnaire (55.09%). The two waves of questionnaires were paired, providing complete data for 298 participants; a total response rate of 54.18%. Respondents were categorized according to their type of government organization: 46% work at authorities and institutions providing public service, 29% at government service offices, and 25% at local government authorities. Of those, 121 were male (40%) and 177 were female (60%). Their job positions included middle line managers (60%) and team leaders (40%). Seventy-two per cent hold a bachelor degree or higher.

3.3. Measurement

The original English language questionnaires were translated into Hebrew using the back-translation method ([Behr, 2017](#)). A pilot questionnaire was administered to a sample of 30 adult students working in the public sector, and this stage served to pretest the research instrument ([Baker, 1994](#)). Items were then revised and reworded when not understood as expected. To ensure the reliability of the questionnaire rigorous standards were applied; pretested and validated measures were

therefore utilized. All scales were taken from standardized instruments that were found reliable in earlier studies. However, Cronbach’s α ’s have been computed for this study (see [Table 1](#)).

Perceived organizational performance (POP)- was constructed according to [Delaney and Huselid \(1996\)](#) (e.g., “satisfaction of customers or clients”) using seven items assessing respondents’ perceptions of their organization’s performance over the prior three years relative to similar organizations in the public sector. Following the human resources literature largely favors the use of more subjective (perception-based) measures in this construct ([Darwish et al., 2016](#)). Our measurement captures individual assessment of organizational performance. Few modifications were made to suit the context of the public sector, thereby keeping the original meaning undistorted. The questionnaire items were answered on Likert scales ranging from 1 (*worse*) to 4 (*much better*).

Psychological capital (PsyCap)- was measured using the 24-item in its entirety from [Luthans et al. \(2007\)](#) and empirically validated by [Luthans et al. \(2007\)](#). By focusing on the individual point of view regarding their personal psychological resources, this questionnaire is comprised of four subscales measuring hope, resilience, optimism, and efficacy on a Likert scale ranging from 1 (*strongly disagree*) to 6 (*strongly agree*).

Social capital (SosCap)- was assessed through a five-item measure modified and validated by [Subramaniam and Youndt \(2005\)](#) (e.g., “Our employees share information and learn from one another”). Five items were measured on a Likert scale ranging from 1 (*never*) to 7 (*always*). [Subramaniam and Youndt \(2005\)](#) assessed social capital by asking executives. By focusing on the individual’ point of view regarding social resources, relationships, and interactions, such measurement is consistent with the notion that social capital comprehends resources accessible to individuals due to their membership in a network, as well as those available to all members of a given network ([CarrilloÁlvarez & Riera Román, 2017](#)).

Organizational trust- was assessed via a four-item measure developed and validated by [Huff and Kelley \(2003\)](#) (e.g. “There is a very high level of trust throughout this organization”). This measurement originally encompassed managers’ point of view about internal organizational trust. Four items were measured on a Likert scale ranging from 1 (*strongly disagree*) to 5 (*strongly agree*).

Proactive behavior- an eleven-item measurement was used, as developed and validated by [Belschak and Den Hartog \(2010\)](#). This measurement includes individual assessments of three different foci (organizational, interpersonal, and personal) of proactive behaviors (e.g., “At work, your colleague personally takes the initiative suggest ideas for solutions for company problems”). In their meta-analysis, [Tornau and Frese \(2013\)](#) found that self-reports as well as supervisors’ reports provide equally accurate and valid information. Specifically, supervisor reports rely more strongly on behavior and should be utilized in proactivity studies. The results were rated on a Likert-type scale ranging from 1 (*very strongly disagree*) to 7 (*very strongly agree*).

Control variables: Variables were controlled, including age, gender, and education to examine whether demographic characteristics have any significant impact on a model. As recommended by [Cafferkey et al. \(2019\)](#), we include these in an exploratory sense.

3.4. Analysis strategy

The analytic procedures proposed by [Preacher and Hayes \(2008\)](#) were adopted to examine the mediation moderation models. Therefore, hierarchical regression analyses were run to verify the research hypotheses. The regression analyses were conducted adopting PROCESS (version 2.13) to test mediation (model n.4 of the PROCESS macro), moderation (model n.1), and moderated mediation models (model n.14) ([Hayes, 2018](#)). [Preacher and Hayes’ \(2008\)](#) application provides a method for probing both the estimation of the indirect effect *ab*, as well the significance of conditional indirect effects, at different values of the moderator variable. Although the [Sobel \(1982\)](#) test is powerful, bootstrapping permits a more comprehensive and more reliable assessment

Table 1
Descriptive statistics and inter-correlations among variables.

Variables	M	SD	1	2	3	4	5
1. PsyCap	4.53	0.46	.83				
2. Social Capital	4.61	1.14	.356***	.91			
3. Organizational Trust	3.36	0.82	.400**	.594**	.89		
4. Proactive Behavior	4.84	0.95	.304***	.482***	.427**	.80	
5. POP	2.91	0.73	.244***	.403***	.449**	.383**	.92

Notes: Reliability coefficients appear on the diagonal in bold.

*p < 0.05; **p < 0.01; ***p < 0.001; n = 298.

of indirect effects (Preacher & Hayes, 2008). We tested the model through a contemporary bootstrapping technique (Hayes, 2018), using 5000 resampling with replacement. Bootstrapping results also confirm the Sobel test, with a bootstrapped 95% CI around the indirect effect not containing zero.

4. Results

4.1. Descriptive statistics and correlations

The descriptive statistics and correlations among psychological capital, social capital, organizational trust, proactive behavior, and perceived organizational performance are presented in Table 1. The results show positive significant correlations among all the research variables. Collinearity was tested before conducting the regression analysis using variance inflation factors (VIFs). Since the tolerance level was greater than 0.10, multicollinearity was ruled out (Hair et al., 1998, pp. 207–219).

4.2. Hypotheses testing

Regression analysis was used for each hypothesis H1-H5 (see Table 2). In the first step, the control variables (age, gender, education, and job seniority) were entered. Based on the results presented in Table 2, all the hypotheses were supported. Psychological capital is positively and significantly ($B = .189, p < 0.05$) associated with perceived organizational performance, providing support for H1. As well, social capital is positively and significantly ($B = .218, p < 0.001$) associated with perceived organizational performance and therefore supports H2. As predicted in H3, psychological capital is positively and significantly ($B = .395, p < 0.001$) associated with organizational trust. The results further demonstrate that social capital is positively and significantly ($B = .375, p < 0.001$) associated with organizational trust, and hence H4 is supported, as well. Support for H5 was also obtained as the results show that organizational trust is positively and significantly associated with perceived organizational performance while controlling for psychological capital and SocCap ($B = .238, p < 0.001$), respectively.

4.3. Mediation and moderation hypotheses

The relationship of each independent variable (i.e., psychological capital or social capital) on perceived organizational performance through a mediating effect of organizational trust was tested separately, while statistically controlling for the other independent variable. Therefore, regarding the mediation effects theorized in Hypotheses 6a-6b, the result first suggests that trust fully mediates the association between psychological capital and perceived organizational performance. Result from the Sobel test confirmed that the mediation effect is significant ($Z = 3.21, p < 0.001$). Bootstrapped estimate of the indirect effect demonstrated statistical significance (95% CI [0.043, 0.18]), since the indirect effect did not overlap with zero. Thus, Hypothesis 6a is supported.

Additionally, the result suggests that trust fully mediates the

Table 2
Regression results for testing direct and indirect effects.

Predictor	B	SE	t	VIF
<i>Direct and total effects</i>				
PsyCap → Trust	.395***	.086	4.58	1.15
Trust → POP, controlling for PsyCap	.238***	.057	4.13	1.76
PsyCap → POP	.189*	.088	2.13	1.15
PsyCap → POP, controlling for Trust	.085	.089	0.95	1.23
<i>Indirect effect and significance using normal distribution</i>				
PsyCap → Trust → POP	.104	.036	3.21**	
<i>Bootstrapping results for indirect effects</i>				
PsyCap → Trust → POP	.104	.036	(.043, .183)	
<i>Index of moderated mediation</i>				
	.038	.018	(.004, .075)	
<i>Direct and total effects</i>				
SocCap → Trust	.375***	.035	10.58	1.19
Trust → POP, controlling for SocCap	.238***	.057	4.13	1.76
SocCap → POP	.218***	.036	5.98	1.19
SocCap → POP, controlling for Trust	.119**	.041	2.87	1.65
<i>Indirect effect and significance using normal distribution</i>				
SocCap → Trust → POP	.099	.024	4.15***	
<i>Bootstrapping results for indirect effects</i>				
SocCap → Trust → POP	.099	.024	(.055, .150)	
<i>Index of moderated mediation</i>				
	.036	.016	(.004, .066)	

Notes: CI = Confidence level; LL = Lower limit; UL = Upper limit.

*p < 0.05; **p < 0.01; ***p < 0.001.

association between social capital and perceived organizational performance. Results from the Sobel test show that the mediation effect is significant ($Z = 4.15, p < 0.001$). A bootstrapped estimate of the indirect effect confirmed that this mediation is also statistically significant (95% CI [0.055, 0.150]). Thus, Hypothesis 6b is supported.

We also predicted that proactive behavior would moderate the relationship between organizational trust and perceived organizational performance (H7). An interaction term between organizational trust and proactive behavior was tested and added to the regression model. For the moderation regressions, all variables were mean centered. Examination of the interaction plots (see Fig. 2) shows that the effect of trust on perceived organizational performance is stronger when proactive behavior is higher.

A moderated mediation analysis (H8) was then performed to test whether the mediating effect of trust between psychological capital and

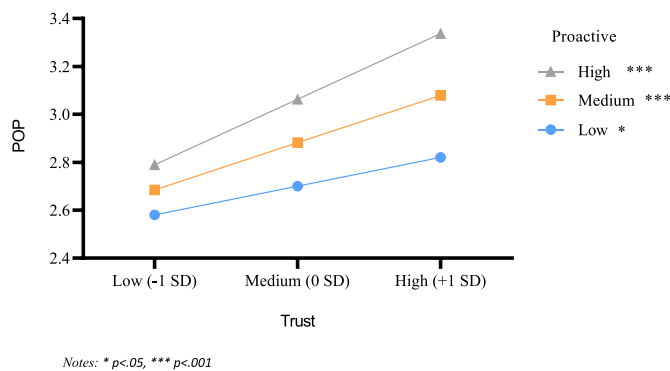


Fig. 2. Moderating effect of proactive behavior on the association between trust and POP
Notes: *p < 0.05, ***p < 0.001.

social capital on perceived organizational performance is consequently stronger when proactive behavior is higher (see Table 3). The overall model was statistically significant, $F_{(8, 288)} = 15.43, p < 0.001, R^2 = 0.30$, meaning that the relationship between psychological capital and social capital and perceived organizational performance is mediated by organizational trust and moderated by proactive behavior. The model accounted for 30 percent of variance. The significance of the indirect effect was tested using bootstrapping procedures. Zero did not appear in the confidence interval, and confirmed that the moderated mediation analyses were statistically significant for both psychological capital (95% CI [0.004, 0.075]) and social capital (95% CI [0.004, 0.066]) respectively (see Table 2). Therefore, H7 and H8 were supported.

5. Discussion

The overarching purpose of this paper has been to study the potential role of psychological personal and social resources as key success factors reinforcing performance among Israeli public sector managers. As the dynamics of most workplace processes have remained largely hidden in terms of effective management of resources (Gorgievski et al., 2011), the current study remedies part of this empirical absence. The study utilized COR theory to develop a comprehensive conceptual framework examining the relationships between the two resources (psychological capital and social capital), organizational trust, proactive behaviors, and perceived organizational performance in the public sector, and then tested the respective hypotheses empirically.

This study extends the theoretical principals of COR theory (Hobfoll, 2002) by examining the way both personal and social resources elicit organizational performance. In particular, we provide preliminary

Table 3
Regression results for testing moderation of Proactive Behavior.

Variables	POP		t	CI		Overall F
	B (se)	R ²		UL	LL	
<i>Main effects</i>						
PsyCap	.059 (.08)		0.68	(-.124, .235)		
SocCap	.074 (.04)		1.77	(-.006, .159)		
Trust	.238*** (.05)		4.13	(.119, .363)		
Proactive Behavior	.190*** (.04)		4.16	(.091, .285)		
<i>Interaction</i>						
Trust * Proactive	.097** (.03)	.300	3.05	(.011, .171)	15.43 (8,288)***	

*p < 0.05; **p < 0.01; ***p < 0.001.

evidence that managers' positive resources such as psychological capital and social capital may lead to the desirable outcome of public perceived organizational performance over time. Hobfoll (2002) distinguished between personal and contextual resources that can be found in an individual's social contexts. This study's finding extends this distinction by showing how public sector managers utilize both psychological capital and social capital as resources to achieve perceived organizational performance. The study then draws on this relationship to advance the theory regarding potential valuable positive psychological resources over and above individual job performance, perhaps leading to improved organizational performance. This study supports Halbesleben et al.'s (2014) tenet that a goal-directed definition of resources helps our understanding of the basic properties of resources within the context of COR theory, as well as the more sophisticated dynamics of resources. According to COR theory, it is assumed that resources do not exist individually, and this study advances the position that personal and social resources must operate in tandem to aid in facing life challenges (Hobfoll, 2011; Hobfoll et al., 2018).

As suggested by Halbesleben and Wheeler (2015), the study adds an insight regarding psychological capital or social capital's contribution as personal and social resources lead to trust, a belief eventually leading to perceived organizational performance. Arguably, this study provides substantive insights to the effect that an expectation of trust and an intention to act upon it (Huff & Kelley, 2003) lead public servants to utilize both their personal and social resources toward organizational performance. In the context of organizational trust, employees take a great leap of faith for both the present and future state of their organization (Top et al., 2015) and mobilize their personal and social resources within this perspective.

The moderated-mediation model offers a more thorough understanding of a phenomenon (Cafferkey et al., 2019; Karaszia et al., 2013) in a way that an investment in proactive behavior complements the direct link between trust and perceived organizational performance. Correspondingly, this finding strengthens Halbesleben and Wheeler's (2015) clarification about "the differences between concepts that fit the definition of resources and those that are simply related to resources" (p. 1643). The results permit the contention that trust as a belief (Huff & Kelley, 2003) is not the sole determinant fostering organizational performance. While trust is conceptualized as part of the resource-related process, it also shows its relation to the context of COR theory's tenets about resource investment (Halbesleben & Wheeler, 2015). Since employee behaviors are the most relevant factor to attain desired organizational performance levels (Escrig-Tena et al., 2018), proactive behavior has proven to be a valuable moderator in this instance. This finding strengthens our understanding of how employees' perceptions of environmental resource cues influence their resource investment decisions (Halbesleben et al., 2014). This is to say, the theoretical model provides a novel, holistic perspective suggesting that personal and social resources will bear fruit and lead to perceived organizational performance through organizational trust as a mediator and proactive behavior as a moderator. Against this backdrop, the framework established in our research might be examined in other contexts to hone validity.

While COR theory is a flourishing research stream, to the best of our knowledge, minimal empirical testing of its tenets has focused on the public sector. Consistent with Hobfoll et al.'s (2018) argument, this study extends the outcomes of resource gains and plays an important role in understanding COR theory in the public sector, offering a new way of testing theory relevant resource investment processes. Specifically, this study empirically tested (Hobfoll, 2011) the mechanism that yields "resource caravan passageways", leading to perceived organizational performance from managers' perspectives in the public sector.

COR theory has also developed a greater emphasis on ways the context may create either fertile or infertile ground for utilization of resources (Hobfoll et al., 2018). Our major contribution underscores this research gap by exploring the impact of leaders' perspective on

psychological capital and social capital as key resource factors explaining public sector organizational performance. Further, by examining the specific lesson of managers in the Israeli public sector, this study underpins the contemporary approach to management that holds that middle-level public sectors managers are influential strategists (De Metz et al., 2020). Recently, this view gained momentum via the OECD, the European Commission, the European Institute of Public Administration, and the UN who all targeted changes affecting the leadership role of senior public service officials (OECD, 2019a). Senior civil servants and managers work at the interface of political and administrative authority and are responsible not only for a wide variety of outputs and outcomes but also for overseeing the processes, budgets, and people who bring these outcomes about. Further, the OECD council recommends ensuring that managers have the capabilities, resources, and support necessary to carry out performance management (OECD, 2019b).

To conclude, the current study emphasizes that the efficiency of public sector authorities depends not only on managers' education, competence, and abilities managers (Raudeliūnienė & Meidutė-Kavaliauskienė, 2014), but also to a great degree on their social and personal resources and their social bonding and proactive behavior, which bolster organizational performance. By integrating COR theory principles and by focusing on public managers, our findings provide valuable empirical knowledge on how specific managers' resources, trust, proactive behaviors, and its results are inter-related, thereby, underlining socio-psychological factors supporting the entire process dedicated to improving human capital at the managerial level within the public sector.

6. Limitations and directions for further research

Some potential limitations of the study should be noted when considering further explorations in this field. First, data were obtained from one rating source at two different points in time. Data relies entirely on self-report assessments, with the implication that relationships might be inflated due to common method bias. As discussed in the section on method, steps were taken in the study design to minimize biases. Due to the difficulty of deploying objective measurements of public sector organizational effectiveness, common method bias could not be completely eliminated.

Second, utilizing broaden-and-build theory (Fredrickson, 2001), employees interpreting events in a positive way, namely psychological capital, are likely to experience positive emotions at work. However, these emotional effects were not tested for in our model. The requisite next empirical step would be to assess the possible mediation effect of individuals' positive emotions and predispositions.

Third, this study provides valuable knowledge regarding *whether* and *how* organizations can utilize psychological and social resources to leverage perceived organizational performance. However, several questions naturally remain. As this study is limited to managers self-report, it will be necessary to conduct a similar study at different levels of the organizational hierarchy to fully explore how those resources translate into organizational performance. Moreover, perceived organizational performance focused on managers, and this provides only one-way and single assessment of organizations' performance. To minimize the shortcoming of single source bias, we suggest that further research is needed to investigate multiple sources that could capture this issue from the multilevel perspectives that exist in organizations.

Furthermore, we know little about the dynamics through which resources – i.e., psychological capital and social capital – act as a psycho-social mechanism, which may affect organizational trust, which in turn, enhance perceived organizational performance. Therefore, further examination is required concerning the interaction of organizational trust and proactive behavior on perceived organizational performance. Finally, COR theory proposes that resources act as motivational vectors grounded in universals (Halbesleben et al., 2014; Morelli &

Cunningham, 2012). Yet, while certain resources are universally valued, they may not be similarly valued across cultures (Halbesleben et al., 2014). This last issue points to interesting avenues for research in other countries and cultures.

7. Practical implications

This study responds to recent OECD recommendations on *Public Service Leadership and Capability*, which maintain that “the context and challenges of the public service are changing at a fast pace”. Appropriate mandates and resources to function effectively are therefore required to promote improved performance and service quality to all citizens among public servants and those who lead them (OECD, 2019b, p. 3). In this regard, this study offers certain practical implications for HRM, high-level management, and for managers in public sector organizations.

Our findings underline the value of human capital and particularly, personal and social resources, to public organizations, which is inextricably tied organizational trust, proactive behavior, and perceived organizational performance. Our findings indicate that the mediating effect of trust between psychological capital and social capital on perceived organizational performance is stronger when proactive behavior is higher. Therefore, it may be imperative for organizations to invest in leveraging synergies between managers' intangible resources at the workplace so as to realize their potential to enhance organizational performance.

Organizational policies are expected to call for better access to training and development while developing fair performance appraisal and compensation systems (Kalshoven & Boon, 2012). Thus, an organization's efforts at employing, hiring, training, work design, and other human resource management activities should focus on developing managers' abilities to utilize the potential contained in social ties, intra-organizational networks, positive attitudes, and proactive perspectives. It is advisable to take a pragmatic approach that takes these resources into account rather than concentrating on evaluating managers' specific performance or skills. More specifically, organizational HRM programs should be designed to cultivate positive psychological resources, as these are states open to development (Luthans et al., 2004), and to nurture positive social dynamics between colleagues, as this encourages mid-level managers to apply their resources strategically toward trust attitudes and proactive behaviors. These, in turn, enhance perceived performance outcomes.

Finally, our results indicate that managers' trust perceptions play a substantial role in increasing perceived organizational performance. Therefore, organizations may also benefit by implementing a respectful work environment encouraging trust between managers. This requires organizations to design a trust-based organizational relationship based on a “values-driven culture and leadership in public service” (OECD, 2019b, p. 6).

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