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# Significance of Workplace Democracy in Generating Psychological Capital: An Indispensable for the Contemporary Organizations

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#### **Abstract**

This paper expects to investigate the part of workplace democracy in generating psychological capital, which is an inevitable paradigm for the contemporary organizations. The examination additionally gives a calculated system which implies the nexus between the two builds. The current examination adds to the writing by flagging the desperate requirement for building majority rule working environments and offers huge bits of knowledge for the administration and human asset experts to develop working environment popular government to construct their employees' psychological strengths, which in turn will result in enhanced organizational outcomes.

The current investigation brings consideration toward the need for a move in the generic organizational strategies and instigate organizations to nurture a democratic setup for developing employees' psychological capital.

**Key Words:** Human Resource Management, Psychological Capital, Positive psychology, Inter-coder reliability, Workplace Democracy.

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#### 1. Introduction

Customarily, associations accentuated producing "financial capital" and created innovation, costly foundation, and massive scope activities for their prosperity and endurance. Associations pushed on making "human resources," for example, building representatives information, aptitudes and capacities, and "social capital," which spoke to assets of the trust, connections, organizations, and companions and buddies and adjusted them to the hierarchical methodologies to improve authoritative execution. Notwithstanding, unending headways and globalization required associations to create more real and elusive assets for keeping up their serious edge. Twenty-firstcentury associations are confronting extraordinary compass off changes, and thus, they have to reconsider their administrative systems and grasp new administration methods of reasoning. Given that representatives spend an enormous level of life in the work environment, associations need to comprehend their workers' worries. Gonzalez (1961) contended that occupation plan and perpetual execution desires lead to high uneasiness and disappointment among workers. This thus prompts worker distance, freak practices, and backward responses (Sievers, 1994). Hence, new associations need to fabricate working environments that encourage inventive outlooks among representatives and make their positions prospering, bona fide, and essential (Keyes, 2010; Seligman, 2004; Seligman et al., 2004). Innovation, globalization, and improved aptitudes and abilities offer laborers occasions to partake in decision making and completely experience working environment majority rules. Additionally, it is proverbial that as the work turns out to be more specialized and laborers have more admittance to data, then vote based system in the working environment would develop.

However, the paradigm of "workplace democracy" is yet a faint whisper among contemporary scholars in the social and management discourse. Undoubtedly, the examples and majority of empirical research studies related to workplace democracy have stressed worker participation, including political understanding, solidarity, and perceived and real power (Haque, 2000). It has also been recently suggested that participatory worker management is standard practice in highly technologically advanced workplaces and is even rising. This ultimately leads to enhanced productivity, efficiency, and effectiveness of employees and organizations. Yet, to date, the question persists as to how the contemporary management scholars can establish and bolster human resource development (HRD) practitioners to practically amalgamate the goals of democracy in the workplace to build psychological underpinnings.

To date, the HRD experts are blank for the working environment majority rule government in encouraging mental quality of representatives. Tragically, generalize ability is restricted since there is a shortage of observational confirmations for brain science-based applications. A cognizant endeavor has been made to hypothetically sum up the mental underpinnings of the working environment majority rules system, which expands hierarchical adequacy and most essentially exudes mental directions regarding "psychological capital (PSYCAP)." In essence, helping employees realize their strengths and perceive their work as meaningful could positively impact employees' psychological strengths. A thoughtful discourse has been fortified in the present study, which aims to underpin the significance of democratic workplaces and asserts that democratic workplaces enable employees to engage in a dynamic process of expanding their self capabilities, consequently facilitating employees' satisfaction and enhancing their performances.



The present study advocates that organizations need to restructure their work arenas as "democratic workplaces," which won't just animate representatives' contribution but also adjust workers' very own qualities to the authoritative objectives.

On the other hand, these individual qualities can be utilized by workers to encounter a condition of greatness (Park and Peterson, 2008). When representatives see a vote-based system at work, they associate with higher assets or individual qualities and change themselves into legitimate people. Consequently, it has been recommended that making popularity based working environments advances objective direction and personality. However, it would likewise upgrade representatives' confidence and self-esteem while encountering their work massively important (Hatcher, 2007).

Steady with this thinking, the current investigation contends that work environment majority rules system encourages the age of mental capital among representatives and offers critical down to earth suggestions for associations. Making vote-based working environments would produce importance, self-assurance, and ability among representatives, thus upgrading mental Capital (Thomas and Velthouse, 1990).

Most importantly, this study attempts to delve into the epistemology of "workplace democracy" to explain how the concept is drawn upon and could be used by the H.R. practitioners to develop an individual's psychological strengths at the workplace. The literature on workplace democracy signifies that the management structure greatly influences economic performances and enhanced productivity to augment innovation and social capital.

## 2. Literature review

## 2.1 Workplace democracy

The term "democracy" originated from the Greek word "demokratia," where "demo" means "people" and "kratia" refers to "rule of the people" (Powley et al., 2004). Workplace democracy refers to applying democratic practices such as voting, debate, structuring, adversarial process, and systems of appeal to the workplace (Petersson and Späng, 2005). The notion of workplace democracy derives its roots from the democratic thoughts of Jean–Jacques Rousseau and John Stuart Mill (Skelley, 1989). In contrast, practical implementations of workplace democracy originated from Britain and France, starting in the nineteenth century.

Workplace democracy is a multi-dimensional concept with its foundation in economics, politics, sociology, and labor history. Definitions of workplace democracy vary because of the contextual issues and are identified by common themes and concepts such as industrial democracy, organizational democracy, economic democracy, participatory democracy, worker participation, unionization, work councils, and worker control. Workplace democracy describes "a variety of structural arrangements which link organizational decision making to the interests and influence of employees at various levels" (Petersson and Spängs, 2006). It stretches from participative management and employee involvement to industrial democracy and self-management (Crouch and Heller, 1983) and incorporates equality, decision making, and participation. Harrison and Freeman (2004) stated that:

[. . .] any action, structure, or process that increases the power of a broader group of people to influence the decisions and activities of an organization can be considered a move towards democracy (Hatcher, 2007).



Workplace democracy has been accounted for to envelop various ideas, for example, participative administration, representative contribution, worker strengthening, and current majority rule government. Even though the writing neglects to give an away from the exact importance of these terms. The first term instituted for working environment popular government was "mechanical majority rules system," and both the names have been utilized reciprocally. The hierarchical model speaks to mechanical majority rule government in the type of boards of trustees and consultative bodies, which encourage correspondence between the executives, association, and staff and dynamic which is one-sided and definitive. The dynamic is additionally monetary regarding assembling and mechanization; lay-off and faculty choices depend on enrollment, determination, and complaint taking care of. In particular, support is through worker possession, in light of shareholdings of the organization by the representatives, for example, organization shares alternative plans (CSPs), undertaking the executives motivating forces (EMIs), share impetus plans (SIPs), and worker stock proprietorship plans (ESOPs).

As per Carr and Mellizo (2015), the work environment majority rules system is a method of administration where the association is administered by all people who hold a stake in the association's exhibition. However, the primary standard is moderately direct; there are considerable contrasts, i.e., understanding what is implied by "partners" and "partaking in the dynamic cycle," that decide the structure, capacity, and outcomes of working environment vote based system. This rundown could incorporate capital financial specialists, chiefs, and laborers, yet additionally reach out to providers, clients, state commonwealths, and network individuals. Also, the idea of partaking in the emotional cycle is similarly perplexing. It can be shown in various manners, some of which are formalized in any association's by-laws. For example, laborers that legitimately partake in dynamic or characterize creation techniques are entirely by the more extensive meanings of vote based system, regardless of whether no conventional democratic methodology is followed. The particular responsibility components are, by and by, very different, going from the appropriation of laborers' chambers or associations that consider the executives responsible to proposal boxes to big business gatherings where choices are taken on the whole and full support of the apparent multitude of individuals (Ben-Ner and Jones, 1995). Existent writing on the work environment majority rules system exhibits that the hypothetical advantages that have been set to emerge from the associations' democratization are plentiful. For instance, the work environment majority rule government has been speculated as an expected vehicle for everything from cultivating human strengthening (Dahl, 1986) to expanding network cooperation (Mill, 1962) and disparity decrease (Sen, 1966). More meaningful working environment vote based system has additionally been placed to add to work soundness (Svejnar et al., 1982), higher profitability (Ben-Ner and Jones, 1995), cost-saving money on checking inputs (Bowles and Gintis, 1993), more prominent opportunities for development (Hoskisson et al., 2002) and more moral, strategic policies (Schumpeter, 2012). The hypothetical contentions introduced above propose that the accomplishment of work environment majority rule government depends on its capacity to choose for and hold high-efficiency laborers and hold a benevolent and proportional labor force.

Levine and Tyson (1990) recognized that the representatives' help for participatory dynamic ensured expanded firm exhibitions, such as benefit or addition sharing, employer stability, and backing of gathering cohesiveness and individual rights. This is predictable with the experimental



writing evaluated by Ben-Ner and Jones (1995), which announced that benefit or increase sharing plans help firm execution just when joined by participatory administration structures and the other way around. The writing recommends that associations that give bunch budgetary motivators likewise will, in general, utilize reformist administration rehearses that urge laborer to turn out to be more engaged with both firm-level and shop-floor decision making and arranging, which in this manner, advocate more prominent arrangement for both the "item and maker."

Lytton (2012) researched the connection between's working environment majority rule government and ladies strengthening and suggested that associations should give ladies representatives occasions to partake in conversations concerning business-related issues to guarantee that they comprehend the inward functions of their specialization for viable strengthening and execution. Likewise, they should be devoted to keeping up working environments liberated from separation or physical or verbal provocation based on sex. Additionally, the reason for enrollment, recruiting, arrangement, preparing, pay, and headway at the organization ought to be founded on capabilities, execution, aptitudes, and experience carefully. Khan (2014) investigated NGOs in Bangladesh to advance ladies' strengthening and fairness at the hierarchical level and how inward emotional cycles help NGOs to accomplish their objectives. As associations frequently are not aware of majority rule government at their work environments and equivalent support, it was discovered that the popularity based work environments and participatory decision making measures are more powerful in advancing intellectual and mental strengthening of its individuals and representatives. As of late, Geçkil et al. (2016) examined a massive connection between hierarchical majority rules system observations (participation criticism, straightforwardness, and responsibility) and authoritative mental Capital (idealism, strength, expectation, and self-viability) levels of doctors and medical caretakers, given segment factors, for example, sexual orientation, instructive level, conjugal status, and work insight.

The general writing on the act of work environment popular government shows explicit attributes and results (Deutsch, 1981; Rothschild, 1992; Butcher and Clarke, 2002) that can change individuals inside associations by making them all the more politically mindful and dynamic, social, public-lively, agreeable and worried for the overall great (Dahl, 1985).

Viggiani (1997) uncovered a heavenly body of various leveled issues because of the majority rule government's working environment and expressed that the administration may oppose popularity-based working environments because it must make acquiescence force distinction. The creators battle that since the operating environment vote-based system has become progressively famous, it underlines representatives as significant resources. Regardless of its pervasiveness, the work environment vote based system understands specific difficulties and disservices. This involves that since work environment vote based method is proposed to establish a climate where representatives have a perceived and compelling voice, in individual associations representatives structure associations to guarantee their voice is heard. This makes hazard for representatives that a popularity-based work environment may go excessively far if representatives request power to oblige their assessments. This can make a conceivably unsafe lopsidedness of intensity that prompts an inadequate or deferred dynamic that clears away the association's core interest.

When employees have input, "cultural tension" can arise within the hierarchy or ranks. Employees may find that their opinions conflict on various topics and go against a culture where



teamwork and collaboration are emphasized. This flips the negative side of workplace democracy that the more democratic the workplace, the more difficult it is to get employees and managers or leaders to agree on what to do (Kokemuller, 2017). With the presence of democracy at work, organizations can also experience "top-down fallout."

Giving employees a strong voice may risk-taking decisions out of the hands of those that are most qualified. Coutinho (2016) concluded from his study that workplace democracy raises expectations for certain groups of workers/employees, leading to well-being harms when expectations are not met. To emphasize, employees may abuse their democratic voice and align against management's influence and create a "virtual mutiny" (Kokemuller, 2017).

The literature explicitly delineates a link between democracy and corruption. As the term corruption is embedded with the delegation, crime can result in the abuse of the entrusted power for gaining personal benefits. Perhaps, sometimes, the concept of workplace democracy can even be more peculiar and complex. At one point, it can be considered as an institutional arrangement at work for arriving at a consensual decision but becomes less straightforward as employees acquire the power to influence and take decisions on their own using "employees' vote" (Schumpeter, 1942). Exert undue influences and skew every judgment, undermining democratic work culture while potentially increasing alienation at work and making employees psychologically disenfranchised (Krishnan, 2016). Sung (2004) and Rock (2007) found a negative relationship between corruption and democracy, which may not be linear. Such a non-linear relationship seems plausible by taking into account Treisman's (2000) result and the observation that many countries recently started introducing democratic reforms and appears to be experiencing an increase in corruption. Although it has been observed that at the beginning of democratization, countries may experience a rise in corruption levels, when democratic institutions become substantial over time, the culture of democracy develops. They are resulting in control and fall in the level of corruption. Nevertheless, overall democracies, in the end, seem to be less corrupt.

In extension to the negative reflection of workplace democracy, it is also bolstered in the literature that while profit-sharing schemes under the concept of workplace democracy improve efficiency, productivity and performance, the idea also opens to manipulating "freeloaders." This is because profit-sharing rewards group performance and not any individual employees. Employees who may not be contributing are rewarded similarly to those who are providing valid contributions. On the other side, weak incentives to an individual or group performance open employees to "manipulation" and show no interest in the organization and their work, which may further cause team or group motivational issues and injustice (Stack, 2000).

Based on the above insight, this study tries to lessen the negative reflections of workplace democracy and aims to offer a democratic workplace in the real sense and positive psychological impacts and certainly lead to innovation, performance, and morale.

#### 2.2 Psychological capital

Customarily, specialists have zeroed in on the negative parts of representative conduct. Such "negative" approaches remember a concentration for counterproductive components, such as stress, incapable initiative, clash, dishonest conduct, and useless mentalities and practices that have been broadly recorded and investigated. Luthans (2002) contended that the field of



authoritative behavior had generally given more consideration to administrative and worker brokenness and issues in the working environment, examining "what turned out badly" rather than investigating "what went right." This brought about the absence of proactive systems supporting representatives' boss exhibition, nonstop turn of events and learning, and factors answerable for workers' variation. Avolio and Luthans (2006) and Luthans et al. (2006, 2007a, 2007b) brought a change in outlook and a more certain methodology in understanding representative conduct. This prompts a positive spotlight on authoritative behavior and has been named hierarchical conduct (POB).

Luthans (2002) characterized POB as "the investigation of decidedly situated H.R. qualities and mental limits that can be estimated, created and viably oversaw for execution in contemporary work environments." Strümpfer (2005) and Roberts (2006) additionally upheld a move toward a positive methodology in associations, alluding to "qualities point of view," which may create unmistakable esteem and add to a superior comprehension of ideal human execution in circumstances that present upsetting difficulties. Luthans et al. (2007a, 2007b), Luthans and Youssef (2004), Luthans et al. (2004), and Luthans (2002) defined psychological capital as "an individual's positive psychological state of development that is characterized by:

Hope: persevering toward goals, and when necessary, redirecting paths to plans to succeed.

**Self-efficacy:** having the confidence to take on and put in the necessary effort to succeed at challenging tasks.

When faced with problems and adversity, resilience is sustaining and bouncing back and even beyond to attain success.

**Optimism:** making a positive attribution about succeeding now and in the future." Specifically, psychological capital represents individuals' positive psychological resources, including state-like, necessary, psychological force including self-efficacy, hope, optimism, resiliency, and tenacity, rather than trait-like personality characteristics (such as introvert or extrovert) that are relatively stable. Psychological Capital emphasizes "individual strength" and "enthusiasm" and reflects the merits rather than employees' weaknesses. Psychological Capital covers all behaviors that can bring positive results for individuals and organizations, such as organizational commitment, loyalty, integrity, organizational citizenship behavior, psychological contract, job involvement, and corporate identity.

According to Seligman and Csikszentmihalyi (2014), there is a dire need to understand the factors which make life worth living and ensure the quality of life at work and its development. Given this fact, organizations can build a competitive advantage by leveraging positive human competencies. The story of such competence can play a vital role in elevating organizations' ability to compete effectively. Therefore, organizational goals can be achieved by tapping employees' psychological strengths and making employees more psychologically cohesive (Albrecht, 2003).

Extant literature shows that there is a significant linkage between employee performance and positive organizational behavior. Avey et al. (2011) found a significantly negative relationship between psychological capital and undesirable employee attitudes like cynicism, turnover intentions, job stress and anxiety, and unwanted employee behaviors like workplace deviance. Newman et al. (2014) used cross-sectional data and longitudinal studies and confirmed that employees' psychological capital positively impacts various business areas. Peterson et al. (2011)



found that employees' psychological capital was positively related to both supervisor-rated performance and their financial performance based on the individual sales figures. Also, psychological capital has been viewed as a fundamental basis for effective management of H.R.s while complimenting existing research in human and social Capital (Zhu et al., 2011). Woolf (2004) indicated that psychological capital could create a situation that promotes work-life quality and can create a personal vision for employees. Prominently, when organizations create opportunities for satisfying the needs of survival, belonging, and knowledge of employees, this subsequently improves their workplace performance (Mortazavi et al., 2012).

The traditional organizational theories and practices extensively emphasized stress, leadership, conflicts, employee dysfunction, and the continuous training and development requirement to achieve conventional success in terms of elevated efficiency and productivity. However, the present century organizations necessitate practitioners, researchers, and academicians to revisit workplaces on the terms of democratic trends, embedded with positive H.R. practices to gauge and use employees' strengths. This further calls for essential redesigning of workplaces that recognize "human or people element" in the workplace and explore employees' optimal "psychological functioning." This proselytizes that each employee's input is inimitable, and hence management must recognize the "human uniqueness."

Given the facts above, the present study asserts that the concept of "workplace democracy" and "psychological capital" conjointly offers positive insights for organizations and calls for revitalizing workplaces with a more collegiate environment (Du Plessis and Barkhuizen, 2012). The study contributes to the existing body of knowledge on POB and expands the recent literature by exploring the two concepts' nexus. It can be assumed that workplace democracy can lead to enhanced psychological states, which could foster employee involvement and energy and an improved sense of learning, and increased vitality in the work environment (Spreitzer et al., 2005; Patterson et al., 2013).

#### 3. Objectives

Drawing on the literature above and the existent critical gap in the management discourse, the present study is guided by the following objectives:

Objective 1 is to identify the antecedent factors to workplace democracy.

Objective 2 is to identify the range of H.R. practices that could influence workplace democracy.

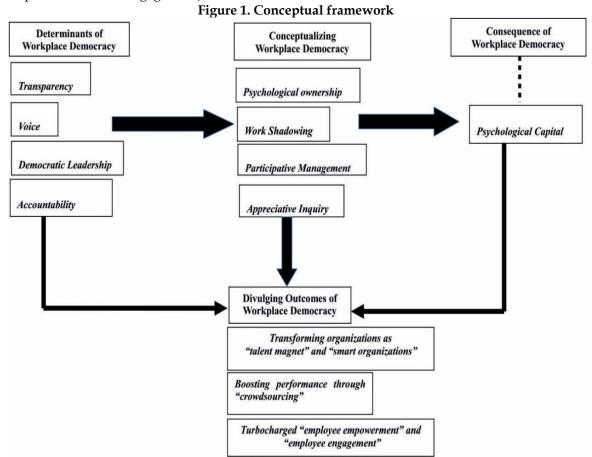
Objective 3 is to identify the underlying mechanism of how workplace democracy can be applied to develop employees' psychological capital and enhance organizational outcomes.

Figure 1 represents the theoretical framework guiding the present study. The model depicts the role of positive H.R. practices in cultivating workplace democracy, which further leads to the development of psychological capital. The conceptual framework shows the position of higher-order H.R. constructs in the generation of psychological capital. It indicates that each of the primary components contributes to individual growth associated with improved organizational performance. The proposed model can develop a novel organizational theory, emphasizing the significance of both employees' personal development and enhanced organizational effectiveness (Dachler and Wilpert, 1978; Strauss, 1998). Figure 1 illustrates the conceptual framework



delineating the essence of workplace democracy and psychological capital as salient paradigms in the workplace.

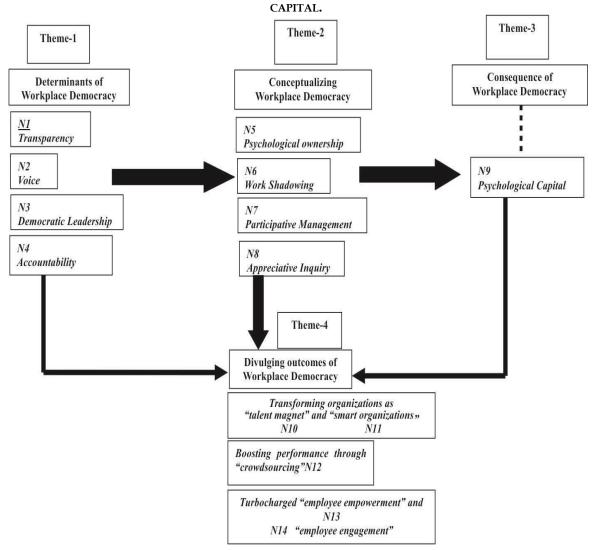
The proposed model represents "themes" (Figure 2) that align with the individual's strengths and competencies. The authors put forth a practical approach for organizational practitioners to create democratic workplaces for fostering employees' psychological strengths. The themes based on the proposed model aim to channelize the culture of workplace democracy within organizations. In essence, Theme 1 represents the determinants of workplace democracy, emphasizing that organization fostering transparency, voice, democratic leadership, and accountability can prove to be a conduit to Theme 2. It conceptualizes workplace democracy (psychological ownership, work shadowing, participative management, and appreciative inquiry). The authors contend that based on Themes 1 and 2, the resulting outcome will lead to Theme 3, generating psychological capital and finally leading to the most promulgating development as Theme 4 (transforming organizations as talent magnets and smart organizations, crowd sourcing, employee empowerment, and engagement).







 $FIGURE \ 2. \ NODES \ FOR \ CODING \ AND \ INTEGRATING \ WORKPLACE \ DEMOCRACY \ AND \ PSYCHOLOGICAL$ 



Thus, psychological capital outlines an employee's "psychological capacity of creating positive and unique." It can be a positive approach for understanding the human potential in the workplace. Generating psychological capital through workplace democracy can be a meaningful and justifiable investment in terms of:

**Hope:** According to Snyder et al. (1991), hope is "a positive motivational state that is based on an interactively derived sense of successful agency (goal-directed energy) and pathways (planning to meet goals)." Thus, hope is developed in two important ways: first, through people's sense of agency or willpower, and second, through the development of pathways and waypower that



enable individuals to proactively design alternate routes to achieve their goals when they face obstacles. An integral part of developing and managing hope is through effective goal-setting, specific, measurable, and challenging, yet realistic and achievable and helps create a sense of agency to accomplish those goals (Nelson and Cooper, 2007).

**Self-efficacy:** It can be defined as "an individual's conviction about his or her abilities to mobilize the motivation, cognitive resources, and courses of action necessary to successfully execute a specific task within a given context" (Stajkovic and Luthans, 1998). The capacities of symbolizing, forethought, observation, self-regulation, and self-reflection allow confident people to purposefully, genetically, and proactively set challenging goals, regulate their motivation and actions, and manage and control their learning processes anticipation of future success (Bandura and Locke, 2003).

**Resilience:** It has been defined as "the positive psychological capacity to rebound, to 'bounce back' from adversity, uncertainty, conflict, failure or even positive change, progress and increased responsibility" (Luthans, 2002). Most importantly, resilience does not imply a good, risk-free life, but rather the effective management of scarce resources toward a more fortunate life despite risks and adversities (Nelson and Cooper, 2007). Hence, building psychological strength.

**Optimism:** It is a responsible and adaptive form of optimism. It carefully considers and learns from both positive and negative events and their causes and consequences before taking credit for successes or distancing and externalizing failures (Nelson and Cooper, 2007).

It can be envisaged that workplace democracy can foster a thriving work environment. Employees develop confidence in their decision-making abilities (Spreitzer et al., 2005), and the employer empowers their employees and offers a sense of control and autonomy (Ryan and Deci, 2000. This perspective provides a salient implication for organizations to focus on building a democratic working environment. Employees can experience a greater sense of connection to their roles and their self.

#### 4. Conclusion

This study's key objective is to investigate the determinants of workplace democracy while generating and using employees' resources and making their work-life more meaningful and worthwhile. This paper represents a novel development in the management literature by presenting a coherent model for promoting employee's psychological strengths, which helps them go beyond the accumulation of financial capital.

The study further attempts to bridge the gap between theory and practice while advocating the development of democratic workplaces that have been reported to play a crucial role in enhancing employees' satisfaction, including survival, belongingness, and knowledge needs, and making their lives more meaningful, happy and productive. The present study initiates to extend its implication in operational, tactical, and strategic decision making. This confers to alleviating status inequality, especially within the hierarchy, associated with "pro social behavioral orientations." The study posits the augmentation of a favorable situation on the premise of cooperative associations, endorsed in terms of mutual advantage, collective governance, and ability to assess the appropriateness and enforcement of decisions and rules.

Prominently, this study makes a useful contribution by first asserting the creation of democratic workplaces that can lay the foundation of effective decision making, improved planning and



forecasting, clear vision, increased health and productivity, and more confidence through learning and adaptations. Second, the study advocates that organizations can add future value to employees' performance by leveraging positive human competence to compete effectively in the market place.

The proposed framework has been established on the paradigms of positive psychology with a background of psycho fortology (a strength perspective) (Du Plessis and Barkhuizen, 2012) while broadening the research perspective by focusing on "optimal functioning" rather than examining "what is wrong with people" (Luthans et al., 2007a, 2007b). In essence, the model facilitates the exercise of "self-evaluation in work," which would also affect self and society's value orientations and enhanced cognitive functioning through learning and development. In the end, the present study asserts that there is a dire need to move the organization in the twenty-first century while reigning over the most significant period of liberty, broad-based prosperity and well-being of the citizens, and most importantly, nurturing workplace democracy and psychological capital orientations, which surmounts willingness to act in humanitarian-egalitarian principles (i.e., protecting human life and maintaining human dignity).

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