

# The common welfare human resource management system and innovativeness: the mediating role of altruism

The common welfare HRM system

Francisco Fermín Mallén-Broch, Ricardo Chiva,  
Alma Rodríguez-Sánchez and Jacob Guinot  
*Universitat Jaume I, Castellón, Spain*

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## Abstract

**Purpose** – The paper analyzes and develops Chiva's (2014) proposal on the common welfare HRM system and uncovers its relationship with innovativeness, using altruism as a mediator.

**Design/methodology/approach** – The common welfare HRM system implies a certain human and organizational development of the classic control and commitment HRM systems, and its main goal is to promote innovation through a prosocial approach. To this end, the authors investigated its HRM practices, developed a measurement instrument and provided initial illustrative evidence of some of its main implications for innovativeness and altruism. They tested these relationships on a sample of 269 Spanish firms using structural equations and bootstrapping to confirm the significance of the mediated effect.

**Findings** – Results confirm the study's hypotheses, thus supporting the common welfare HRM system as a relevant tool for developing innovativeness through the power of altruism. This paper therefore provides empirical evidence of these relationships.

**Practical implications** – This study has implications that can help managers to increase innovativeness through a specific HRM system. The findings reveal that a coherent set of HRM practices based on common welfare principles and a high level of consciousness creates a climate of altruism that results in innovativeness.

**Originality/value** – This research shows that humanistic HRM practices also have an impact on performance variables such as innovativeness, through altruistic employees' behaviors. It also develops a measurement instrument for the common welfare HRM system and provides some initial illustrative evidence of some of its main implications.

**Keywords** Human resource management systems, Control and commitment HRM systems, Innovativeness, Altruism

**Paper type** Research paper

## 1. Introduction

In the last decade, some scholars have pointed to the relevance of an emerging management approach that stresses the importance of concepts such as altruism, compassion or trust (e.g. Karakas, 2010). This view, considered as more humanistic and removed from the traditional, hierarchical and individualistic approach to management, has also been related to the emergence of a new type of organization associated with the growing importance of innovation and self-management, and with a higher level of consciousness (e.g. Laloux, 2014).

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Some of the more outstanding examples or case studies examining organizations that seem to follow this view find they are particularly innovative, egalitarian, prosocial and democratic. Examples include Semco (Semler, 1989), Johnsonville Foods (Stayer, 1990), Irizar (Casadesus-Masanell and Mitchell, 2007), Valve (Valve, 2012) and Morning Star (Gino and Staats, 2014). Although these examples are not completely new, the recent attention to them suggests a renewed interest among practitioners (Lee and Edmondson, 2017, p. 38). In fact, these authors confirm this shift with evidence of, for instance, hundreds of organizations that are now adopting Holacracy (Robertson, 2015), a model that helps organizations to follow a self-management strategy. There is, therefore, considerable evidence of a paradigm shift in human resources management (HRM), and the need to understand and help organizations to invest in conscious HRM systems to further the interests of humanity, common welfare and innovation (Aust *et al.*, 2020).

Although the spiral dynamics literature (e.g. Laloux, 2014) has identified at least seven stages or consciousness levels, which tend to be linked to organizational stages, we draw on the philosophical writings of Han (2015, 2017) on society types, and on managerial typologies such as those proposed by Mintzberg (1989), to simplify these stages into three main types of workplaces or organizations: disciplinary, achievement and conscious organizations. The latter represents the highest level of consciousness and might be associated with the new management paradigm.

Given that these three organization types – disciplinary, achievement and conscious – follow different worldviews or management perspectives, they use different HRM systems to manage their employees (Chiva, 2014; Lee and Edmonson, 2017). Accordingly, we can relate each of these organizations to particular HRM systems or bundles of internally consistent HRM practices. The HRM literature has traditionally identified two systems, control and commitment (Arthur, 1994). In this paper, we add a third system, the common welfare HRM system (Chiva, 2014), which could be related to conscious organizations. Therefore, the common welfare HRM system is mainly based on the analysis of conscious organizations and on Chiva's (2014) proposal, and on the literature of sustainable HRM (e.g. Aust *et al.*, 2020), which underline the importance of HRM practices to the development of human, social and environmental issues, in addition to economic ones. In response to this call, our work aims to empirically validate a set of HRM practices previously theorized as forming the common welfare HRM system.

The common welfare HRM system implies a certain human and organizational development of both the classic control and the commitment of HRM systems (Arthur, 1994; Walton, 1985), and its main goal is to promote innovation with a prosocial approach. Indeed, the concept of "common welfare" (Felber, 2010) stresses that these HRM systems care for every stakeholder: employees, shareholders, organization, society and the environment. Despite the increasing importance of this new approach (Lee and Edmonson, 2017), little research has been carried out in the field, with the exception of some descriptive case studies or theoretical papers that analyze the concepts involved.

In this paper, we aim to develop Chiva's (2014) proposal on common welfare HRM by investigating the HRM practices, developing a measurement instrument and providing some initial illustrative evidence of some of its main implications. To this end, we first analyze and compare the three HRM systems. Second, we link the common welfare HRM system to innovativeness and altruism through our research hypotheses. We then describe the empirical research and report the main results. Finally, we discuss the key implications for the HRM literature and managers.

## 2. The three organization types and their three HRM systems

As the three HRM systems are based on the three types of organizations, in this section we link them and develop their HRM practices, focusing mainly on the new approach: conscious organizations and common welfare HRM systems.

Table 1 summarizes the main characteristics of the common welfare HRM system and compares it to control and commitment HRM systems (Arthur, 1994; Walton, 1985).

### 2.1 Disciplinary organizations and control HRM system

Disciplinary organizations are autocratic and bureaucratic, which could be associated with Mintzberg's (1989) entrepreneurial and machine bureaucracy configurations, as their coordinating mechanisms are usually direct supervision and standardization of work, respectively. Their focus is on power, domination, rules, bosses, efficiency and conformism.

In terms of HRM, these organizations tend to implement the control HRM system (Heinsman *et al.*, 2008), designed to lower labor costs by enforcing employee obedience through specific rules and procedures (Arthur, 1994). The aim of the control HRM system is to maximize individual performance through hierarchical control, based on the idea that employees will avoid work if they can. The organizational culture is typically individualistic, authoritarian and bureaucratic; top-down communication tends to predominate, and decision-making is centralized (Chiva, 2014). Consequently, change, creativity and innovation are not promoted.

These organizations select employees with demonstrated job-specific skills, so they require no training. They also consider that environmental and organizational stability means employees do not need to learn. They prioritize technical selection criteria, which implies that social, emotional or motivational attributes are downplayed.

	Control HRMS	Commitment HRMS	Common welfare HRMS
Recruitment and selection	Selecting employees with demonstrated job-specific skills. Emphasis on technical selection criteria	Selecting employees that fit into the culture. Emphasis on social selection criteria	Selecting employees who are eager to learn and to challenge their own and other people's ideas. Emphasis on learning capability selection criteria
Training and development	Individual competencies. Improve the tasks employees do. Seniority and job performance as criteria for promotion. Vertical promotion	Social or shared competencies. Learning new job skills. Job performance and competences as criteria for promotion. Vertical and horizontal promotion	Focus on human development and growth. Contribution to the company and humanistic traits (compassion, altruism, etc.) as criteria for promotion. Horizontal promotion
Evaluation	Job performance appraisal.	Job performance (goals achieved) and individual competences appraisal.	Self-appraisal and peer reviews. People are assessed by their general contribution to the company. Importance of evaluating altruism, compassion and empathetic behaviors
Compensation	Individual based. Carried out by managers. Wages based on seniority and job performance (and formal ranking). Dispersed pay structure. No salary transparency. Individual incentives	Individual- and group-based. Carried out by managers, subordinates and peers. Wages based on job performance and individual competences (and formal rank). More compressed pay structures. Partial transparency. Individual and team incentives	Wages based on contribution to the company and humanistic traits. Equity and retributive justice. Full salary transparency. Organisational incentives

Source(s): Based on Chiva (2014)  
Table by authors

Table 1.  
HRM practices

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Seniority and job performance are the main criteria for promotion, which follows the traditional vertical career-ladder model. Managers in disciplinary organizations assess individuals on their job performance, or on how well they do their jobs according to their subjective criteria. Salaries tend to be linked to seniority, job performance and formal rank. Pay structures in such organizations are usually dispersed, and salaries are not transparent. When incentives are in place, they are individual or linked to individual job performance.

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### *2.2 Achievement organizations and commitment HRM systems*

Achievement organizations focus on standardizing outputs or management by objectives (Drucker, 1954) or even standardizing skills, depending on the organization. They could therefore be related to Mintzberg's (1989) diversified and professional configurations. They are usually related to concepts like achievement, engagement, passion, incentives and meritocracy, which, in terms of HRM systems, have been associated with the commitment HRM system: strategic HRM system and high performance or high involvement work systems (e.g. Heinsman *et al.*, 2008) designed to achieve employee engagement and financial and market outcomes (Kramar, 2014). Although these systems might achieve some good innovation results (e.g. Park *et al.*, 2019), this does not seem to happen through prosocial behaviors. Additionally, as Pink (2011) states, individual incentives and rewards, which are so important in this system, are barriers to promoting creativity and innovation through employees. Hence, these systems might achieve innovation goals, but without fostering innovative and creative attitudes among the employees.

The commitment HRM system shapes desired employee behaviors and attitudes by forging psychological links between organizational and employee goals (Arthur, 1994). To this end, it fosters close and harmonious bonds across the organization, thus strengthening the importance of organizational culture in this HRM system. This system therefore underlines the importance of the group and also of attitudes and competences other than technical skills, usually being engaged, committed, extroverted, optimistic, positive and so on (Davies, 2021). According to this author, this is the best way to be sure that employees will be productive.

Through commitment HRM systems, achievement organizations select employees that fit into their competitive culture; they stress not only technical but social selection criteria. They tend to hire highly motivated, competitive and optimistic people.

Because of the importance given to cultural issues, these organizations attempt to train individuals' social or shared competencies, such as teamwork skills.

Job performance and individual competences are the most important criteria for promotion. Not only are job outcomes – achieving goals – important, but also how jobs are done and the competences used in them. These competences tend to be associated with competitiveness, self-motivation or engagement. Although climbing the ladder through vertical promotion is important, horizontal promotion is also sometimes used.

Commitment HRM systems tend to assess job performance through the goals attained, and also employees' competences through tools such as 360-degree feedback. Evaluation is both individual- and group-based, meaning that individuals and teams are evaluated by managers, but also by subordinates and peers, especially when evaluating employees' competences. Accordingly, salaries are mostly based on job performance (goals achieved), individual competences and formal rank as in the control system. Generally speaking, organizations that implement this HRM system have more compressed pay structures than those following the control system, and are also more transparent. Incentives are essential in these organizations; while most incentives are individual, social or team aspects are important, and therefore team incentives are also valued.

### 2.3 Conscious organizations and common welfare HRM systems

Finally, conscious organizations are related to concepts like compassion, learning, harmony, sustainability, humanism, systemic thinking and self-management. Their coordinating mechanism is usually mutual adjustment, which could be linked to Mintzberg's ad-hocracies or innovative organizations (1989) or self-managing organizations (Lee and Edmondson, 2017). According to these authors, self-managing organizations are based on post-bureaucratic approaches, humanistic management and organizational democracy. They are therefore more aware of many more aspects, points of view and approaches than other organizations, which makes them more concerned about their stakeholders and increases their inquiring, learning and innovating capabilities. In this paper, we propose that such organizations tend to use a common welfare HRM system (Chiva, 2014). This approach attempts to encompass other similar proposals such as sustainable HRM (e.g. Kramar, 2014), green HRM (Dumont *et al.*, 2017) and socially responsible HRM (Shen and Zhu, 2011).

Conscious organizations aim to care for every stakeholder -employees, shareholders, organization, society and environment and to promote transparency, justice, autonomy, learning, creativity, change and innovation throughout the organization (e.g. Casadesus-Masanell and Mitchell, 2007; Valve, 2012). Concerning human capital, individuals are fully autonomous, so self-management is integral to the organization (Gino and Staats, 2014). For this to occur, people need to be critical or eager to learn, and have humanistic traits like compassion or altruism. In conscious organizations, through the common welfare HRM system, people are trusted, and secrecy of any kind is avoided by making all information about the organization freely available to everyone (e.g. Gino and Staats, 2014).

Common welfare HRM system organizations select employees who are eager to learn and challenge their own and other people's ideas and inquiry, and questioning and generative learning are therefore essential.

Monotony and boredom are uncommon in these organizations because each person performs a variety of tasks and roles (Valve, 2012). Promotion is either completely absent (Casadesus-Masanell and Mitchel, 2007) or it is horizontal (Valve, 2012); in other words, there is a constant readjustment of roles and tasks among employees, with their agreement, enabling them to take on more responsibilities without climbing a hierarchical ladder. Contribution to the company and humanistic traits (compassion, altruism, etc.) are very important criteria for promotion.

Evaluation is carried out through self-appraisal and peer reviews. People are assessed on their general contribution to the company (e.g. Stayer, 1990), although altruism, compassion or empathetic behaviors are also valued. Differences in salaries are minimal, and earnings tend to be transparent (e.g. Gino and Staats, 2014). Only organizational incentives, not individual and team incentives, are used (Stayer, 1990). Under the common welfare HRM system, colleagues evaluate each other's contributions to the team, so that those with more experience or talent, or who make a greater effort, score higher and earn more as a result (Valve, 2012). To a certain extent, therefore, salaries can depend on contribution, but there is little difference between those who contribute the most and the least (Stayer, 1990). In some common welfare HRM system organizations, employees decide what their own salaries should be (Semler, 1989). This decision is taken in light of all the information about what other members of the organization earn and contribute, the financial health of the organization and other relevant data. Often a committee is also set up to advise employees. There is a certain retributive justice and full salary transparency.

In sum, the common welfare HRM system tends to be implemented in organizations with high innovation capacity, where creativity, inquiry and self-management are promoted, and where economic results are not the only aim, but also social, environmental or human outcomes. These features can be developed when human beings are regarded as important, when humanity is integral to the organization and when individuals are supportive,

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empathetic and helpful: altruism, or the importance of the other, is therefore essential. The contention of our model is that the effect of the common welfare HRM system on innovativeness is mediated by altruism within organizations. Accordingly, we develop and test three hypotheses representing (a) the relationship between the common welfare HRM system and altruism, (b) the relationship between altruism and innovativeness and (c) the relationship between the common welfare HRM system, altruism and innovativeness.

### 3. Hypotheses

#### 3.1 *The common welfare HRM system and altruism*

Conscious organizations and their common welfare HRM system are associated with a high level of consciousness, reflected in their attention to all stakeholders and their concern for human beings. When individuals are generally more attentive or mindful, they are also more observant of others' needs or problems, so they are more predisposed to be altruistic (Wilber, 2001). Thus, higher attention, consciousness and mindfulness could be associated with higher levels of altruism. In a common welfare HRM system, individuals show unselfish caring for others, notice other people's suffering, feel others' pain and behave in a way intended to ease that suffering. Therefore, this system entails people acting to improve others' welfare or situation.

Altruism within organizations, considered as a prosocial behavior, refers to voluntary behaviors that have the effect of helping another person with a relevant task or problem (Organ, 1988). Altruism consists of thinking about the welfare of others, feeling concern for them and behaving in a way that helps them (Emmerik *et al.*, 2005). It involves behaviors directed toward the end-state goal of increasing the other's welfare or reducing their distress, although one's own welfare may be also increased by such altruistic helping (Batson *et al.*, 1981). According to Batson *et al.* (1981, p. 291), although altruism may have a personal gain for the helper, it "must be an unintended by-product and not the goal of the behavior." This distinguishes the conception of altruism from egoism, that is, when helping is directed toward increasing the helper's own welfare. In organizational settings, altruism is considered as all the "discretionary behaviors that have the effect of helping a specific other person with an organizationally relevant task or problem" (Organ, 1988, p. 8). Examples of altruism in organizations are behaviors such as "helping others who have been absent," "orienting new people even though it is not required," "helping others who have heavy workloads" and "assisting [the] supervisor with his or her work" (Smith *et al.*, 1983, p. 657).

Organizations with a common welfare HRM system recruit and select people based on their learning capability. Individuals who are eager to learn and who tend to be more aware or attentive to other things and people are more empathetic and predisposed to serve others, which can encourage altruism in organizations (Vieten *et al.*, 2006).

Moreover, the common welfare HRM system focuses on personal development and growth of employees, and stresses the importance of humanistic traits as criteria for promotion. Thus, this system promotes individuals that develop collaborative, compassionate and altruistic attitudes. These attitudes are related to self-transcendent values that focus attention away from the self and towards helping others (Sosik, 2005). Accordingly, the practices of training and promotion in this common welfare HRM system may foster the overall presence of altruism within organizations.

On the other hand, the common welfare HRM system fosters horizontal promotion by encouraging people to multi-task and take on several job functions (Chiva, 2014). In such a situation, helping behavior among employees becomes essential to successful management of multiple tasks and new job demands (Smith *et al.*, 1983). Moreover, in organizations applying a common welfare HRM system, evaluation of altruism and empathetic behaviors is important (Chiva, 2014), and thus reinforces such behaviors among employees. Likewise, both wages and appraisal are based on the employee's overall contribution to the company, customers and/or users, which is evaluated through self-appraisal and peer reviews.

Since bonuses tend to be organizational, rather than individual- or team-based, employees may be more predisposed to help others in order to improve organizational functioning, by, for example, teaching others new tasks. Furthermore, willingness to behave altruistically may depend on the degree to which an employee considers that the organization treats them fairly (Organ, 1988). Thus, when a climate of equality and collective justice is created, people would be less likely to have self-defensive attitudes and behaviors and would be more predisposed to help others altruistically. Based on these arguments, we suggest that evaluation and compensation in organizations with a common welfare HRM system may encourage altruism.

In short, the common welfare HRM system embraces HRM practices that may contribute to the emergence of a climate of altruism in organizations. Accordingly, we propose the following hypothesis:

*H1.* The common welfare HRM system has a positive effect on altruism.

### *3.2 Altruism and innovativeness*

Altruism in organizations helps to create an emotional and affective bond between individuals and entails positive interaction and cooperation between parties (Guinot *et al.*, 2016). The literature indicates that when people experience positive interaction, they are more likely to engage in creative behaviors, generate creative ideas and solve problems creatively (e.g. Isaksen and Ekvall, 2010). Moreover, people tend to participate in more innovative actions and generate more ideas when they have previous experiences of positive responses from others (e.g. Ellonen *et al.*, 2008). Innovativeness or innovation capacity is considered as the openness of an organization to new ideas, new ways to do things, creativity and so forth which gives the organization the opportunity to be the first to market new products and services (Calantone *et al.*, 2002).

Altruism therefore seems to be linked to employee behaviors that promote innovativeness. In fact, the literature finds that the overall presence of altruism in organizations fuels some organizational processes directly related to innovation and innovativeness. For example, Lin (2007) found that employees motivated by altruism are more favorable to and oriented toward knowledge sharing, and are more inclined to share knowledge, which leads to superior firm innovation capability. Similarly, Akgün *et al.* (2007) showed that when people demonstrate care, concern for others and empathy, the organization can develop a climate for accepting new ideas and points of view, openness and experimentation, joint actions, exchange of information and the creation and acquisition of knowledge, which, in turn, increase new product development and innovativeness.

Therefore, employees may create an organizational climate of creativity and innovation through helping and supportive behaviors based on altruism. Thus, when employees assist others with a difficult or novel task, or provide support by sharing knowledge and expertise, they build up a helpful and supportive work environment in which creative ideas and significant knowledge are shared, suggestions for improvement are accepted, new ways of doing things and work procedures are more easily introduced and creativity is high (Zhou and George, 2001). Therefore, a climate of altruism may boost innovativeness in the organization.

Based on the above arguments, we propose the following hypothesis:

*H2.* Altruism has a positive effect on innovativeness.

### *3.3 The common welfare HRM system and innovativeness: the explaining role of altruism*

The common welfare HRM system is a channel for spreading innovation and creativity throughout the organization. The main aim of a common welfare HRM system is “to foster

innovation, incremental and radical, all around the organization” (Chiva, 2014, p. 945). In these terms, conscious organizations could be related to Mintzberg’s (1989) innovative configuration or ad-hocracy, self-management organizations and humanistic management, among other post-bureaucratic approaches (Lee and Edmondson, 2017).

The common welfare HRM system includes HRM practices that underline the importance of employees’ learning. Examples are the emphasis on learning capability selection criteria to hire employees who are eager to learn and to challenge their own and other people’s ideas, or the focus on human development and growth. In this sense, leveraging human capital can be conducive to innovative activities in the firm as employees could become more flexible, risk-taking, tolerant of uncertainty and ambiguity, open to new ideas and predisposed to engage in challenging work (Chen and Huang, 2009). These organizational processes, such as learning capability and questioning ideas, for example, have been positively linked to organizational innovation (Chiva *et al.*, 2014).

Horizontal promotion implies that employees are increasingly involved in multiple tasks and several job functions. Evidence indicates that multifaceted employees innovate more than single-task employees, because when employees are able to mix tasks and skills they tend to be more creative and innovative (Mellahi and Wilkinson, 2008).

On the other hand, the appraisal mechanisms and compensation systems that the firms use play a critical role in motivating employees and influencing and reinforcing individual behavior. Firms that apply a common welfare HRM system evaluate behaviors such as altruism or compassion, thus reinforcing these behaviors in the organization. In turn, these behaviors have been shown to help develop and generate creative ideas and innovation (e.g. Domínguez-Escrig *et al.*, 2016). Accordingly, evaluation and compensation practices linked to the common welfare HRM system would lead to greater innovativeness.

In sum, all the common welfare HRM system practices aim to foster innovation within the organization. These practices encourage an organization to be open to new ideas, new ways of doing things, being creative and so on, which give them the chance to be highly innovative. Based on the above arguments, we propose the following hypothesis:

- H3. The relationship between the common welfare HRM system and firm innovativeness is positively mediated by altruism.

## 4. Research methodology

### 4.1 Data collection

The study population consisted of 11,594 Spanish firms (this list was provided by the Spanish Ministry of Economy and Competitiveness). Approximately 900 companies were randomly chosen, contacted by telephone and invited to participate in this research. From those that agreed to collaborate, we finally gathered 269 complete questionnaires (a response rate of 29.9%). Nonrespondent bias was assessed to check for any differences between companies that took part in the study and those which declined. To this end, annual turnover, number of employees and firm age from early and late respondents were compared by means of an independent sample *t*-test, which led us to conclude that none of the companies’ characteristics showed significant differences ( $p > 0.05$ ).

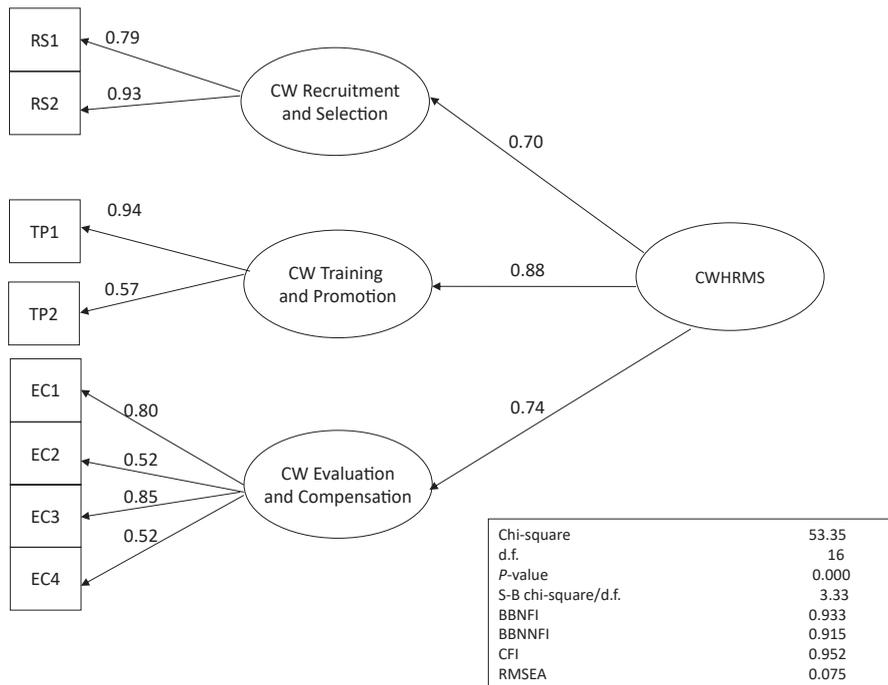
In order to prevent common method variance, a multiple-respondent approach was adopted (e.g. Mackenzie and Podsakoff, 2012). Therefore, questions related to the common welfare HRM system and altruism were addressed to human resources managers whereas questions about innovation were answered by the organization’s CEO. They were chosen to participate in the study because their position and professional experience give them an overall picture and in-depth knowledge of the organization. *Measurement instruments*

**Common welfare HRM system:** From the concept of the common welfare HRM system adopted in our theoretical review and based on Chiva's (2014) conceptual paper, we proceeded to develop a measurement instrument. In this model, the common welfare HRM system is conceptualized following other HRM system scales (e.g. Snell and Dean, 1992) as a higher-order construct composed of several first-order factors representing the main HRM policies: recruitment–selection, training–promotion and evaluation–compensation. The items were based on Chiva's (2014) description of the main HR practices of this system described in Table 1 set of 16 items was initially considered. First, and following Fokkema and Greiff's (2017) recommendations, the sample was randomly split into two groups. An exploratory factor analysis (EFA) was run with the first group, and a confirmatory factor analysis (CFA) was conducted with the second.

After the EFA analysis, eight items and three factors were finally selected: (1) recruitment and selection, (2) training and promotion and (3) evaluation and compensation.

The reliability analysis of the common welfare HRM system measure was 0.82, exceeding Nunnally's reliability criterion of 0.70 (Nunnally, 1978). The Cronbach's alphas for each individual dimension were also acceptable: 0.85 for recruitment and selection, 0.79 for training and promotion and 0.71 for evaluation and compensation.

Finally, a CFA was also conducted (Figure 1). The overall fit of the second-order factor model we tested was satisfactory (chi-square = 53.35, df = 16,  $p$  value = 0.000, chi-square/df = 3.33, NFI = 0.933, NNFI = 0.915, CFI = 0.952, RMSEA = 0.075).



**Note(s):** All factor loadings are significant at  $p < 0.001$

**Source(s):** Figure by authors

**Figure 1.** Common welfare HRM system: second-order CFA

**Altruism:** Altruism was measured using the 5-item scale proposed by Podsakoff *et al.* (1990). The reliability for this construct is excellent, with a Cronbach's alpha of 0.95.

**Firm innovativeness:** The measure of innovativeness, which comprises four items, is based on Calantone *et al.* (2002) and yields a Cronbach's alpha value of 0.80.

**Control variables:** Based on previous research (e.g. Cabello-Medina *et al.*, 2011), annual turnover, number of employees and age of the company (measured in years since foundation) were used as control variables since they may be related to firm innovation. More specifically, because large firms may have access to more resources that affect their ability to innovate, annual turnover and number of employees were used to control for firm size. The age of the firm was also included to control for any advantages associated with increased time to adopt HRM practices and for them to evolve (Guthrie, 2001).

The items finally considered for each construct are presented in the Appendix. All the items were measured on a seven-point Likert scale.

#### 4.2 Analyses

Structural equations, maximum likelihood estimation method and the statistical software AMOS 23 were used to empirically validate the model.

### 5. Results

#### 5.1 Descriptive statistics and psychometric properties of the measurement scales

Table 2 shows the descriptive statistics of the control variables (annual turnover, number of employees and firm age), summarizing the main characteristics of the companies that participated in the study.

The descriptive statistics (means, standard deviations and factor correlations) for the data analysis are shown in Table 3. Accepted practices (Anderson and Gerbing, 1988) were followed to assess the psychometric properties of the measurement scales: dimensionality, reliability, and content, convergent and discriminant validity.

In the case of the common welfare HRM system construct, confirmatory factor analysis (CFA) of the second-order factor model (Figure 1) supported multidimensionality (chi-square = 53.35;  $p$  value = 0.00; Chi-square/df = 3.33; NFI = 0.924; NNFI = 0.933; CFI = 0.915; RMSEA = 0.08).

Apart from CFA, we followed the approach advocated by Anderson and Gerbing (1988) to assess a full measurement model, which in our case included all the variables (chi-square = 216.52;  $p$  value = 0.00; chi-square/df = 1.93; NFI = 0.924; NNFI = 0.953; CFI = 0.961; RMSEA = 0.059). All the standardized estimates were significant and in the expected direction.

Annual turnover		Number of employees		Firm age	
Up to 500,000 euros	4.8%	Up to 25	30.9%	Up to 10 years	13.2%
From 500,001 to 2,000,000	23.4%	26–50	40.5%	11–25	50.6%
From 2,000,001 to 5,000,000	43.1%	51–100	20.4%	26–50	27.9%
More than 5,000,000	28.6%	101–250	7.1%	More than 50	8.3%
		More than 250	1.1%		
Mean	8,829,926.4		58.8		26.5

**Table 2.**  
Descriptive statistics of  
the control variables

**Source(s):** Table by authors

Concept	Mean	SD	1	2	3	4	5	6	7	8
1. CWHRMS: recruitment and selection	5.17	1.16	1							
2. CWHRMS: training and promotion	5.44	0.95	0.47**	1						
3. CWHRMS: evaluation and compensation	4.77	0.98	0.45**	0.38**	1					
4. Altruism	5.62	1.02	0.39**	0.48**	0.29**	1				
5. Innovativeness	5.53	0.86	0.27**	0.34**	0.15*	0.37**	1			
6. Annual turnover	8,829,926.4	49,219,425.16	0.05	0.08	0.09	0.04	0.03	1		
7. Number of employees	58.8	157.39	0.08	0.11	0.07	0.07	0.01	0.96**	1	
8. Firm age	26.5	20.87	0.03	0.04	0.13*	0.09	-0.02	0.09	0.14*	1

**Note(s):** CWHRMS: common welfare HRM system  
n = 269  
\* $p < 0.05$   
\*\* $p < 0.01$   
**Source(s):** Table by authors

**Table 3.**  
Means, standard deviations and factor correlations

The results of the reliability analysis (Table 4) were also satisfactory. Cronbach's alpha coefficient and composite reliability were obtained and showed satisfactory results, above the recommended cut-off values of 0.7 (Nunnally, 1978).

Since all the scales used in the study were grounded in the academic literature, content validity is supported.

Confirmatory factor analyses were conducted to evaluate convergent validity. Altruism, common welfare HRM system and innovativeness CFA showed that all factor loadings were significant and presented an NFI value higher than 0.9, which suggests strong convergent validity.

According to the approach proposed by Fornell and Larcker (1981), our data also meet the requirements for discriminant validity (the square root of the average variance extracted is greater than the construct correlations).

### 5.2 Testing the research hypotheses

A direct effect model was tested to detect any direct relationship between the common welfare HRM system and innovativeness (Figure 2). The overall fit statistics for this model were satisfactory (chi-square: 92.33;  $p$  value: 0.000; df: 49; chi-square/df: 1.88; NFI: 0.927; NNFI: 0.951; CFI: 0.964; RMSEA: 0.057). The standardized direct effect was significant. Therefore, a second model was run to test for mediation.

Figure 3 shows the indirect causal model tested and includes standardized parameter values for the various linkages. The overall fit statistics of this causal model were good (chi-square: 216.52;  $p$  value: 0.000; df: 112; chi-square/df: 1.93; NFI: 0.924; NNFI: 0.953; CFI: 0.961; RMSEA: 0.059).

The standardized estimates were significant and in the expected direction, except for the control variables (annual turnover, number of employees and firm age), which were nonsignificant.

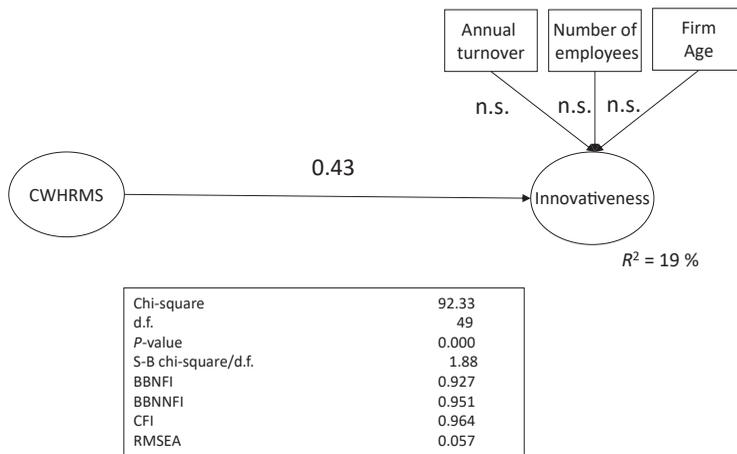
Results show a decrease in the previous direct relationship between common welfare HRM system and innovativeness (although it remained significant) when the mediator –altruism – was included; mediation is therefore partial. In addition, the indirect effect model shown in Figure 3 points to (1) a positive relationship between the common welfare HRM system and altruism, and (2) a positive relationship between altruism and innovativeness. Finally, the mediated model shows a higher explained variance for innovativeness than the direct effect model (23% vs 19%). The significance of the mediated effect was tested using bootstrapping (Hayes, 2017). The estimated bias-corrected confidence interval (5,000 samples) did not include zero (0.088–0.460). Therefore, the null hypothesis of no mediation effect can be rejected.

In sum, all our hypotheses are supported, and, according to our results, the effects of the common welfare HRM system on firm innovativeness are mediated by altruism.

Construct	Cronbach's alpha	Composite reliability
CWHRMS: recruitment and selection	0.85	0.87
CWHRMS: training and promotion	0.79	0.82
CWHRMS: evaluation and compensation	0.71	0.73
Altruism	0.95	0.95
Firm innovativeness	0.80	0.83

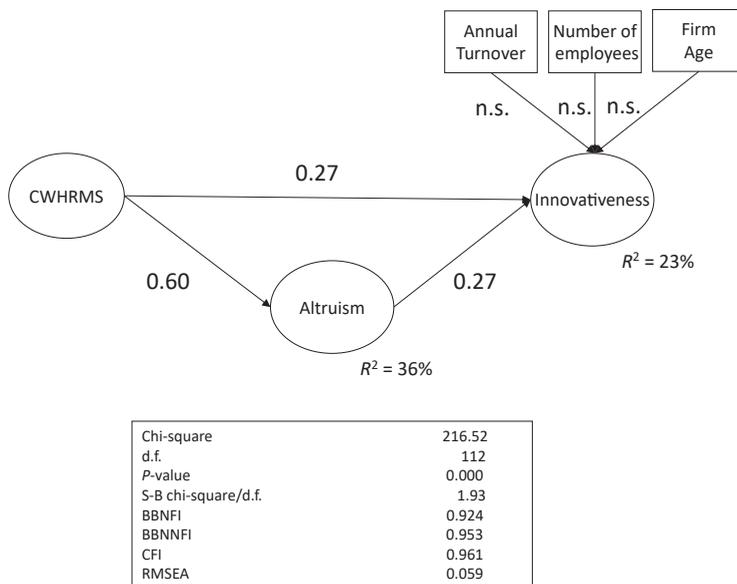
**Table 4.**  
Reliability of the  
measurement scales

**Note(s):** CWHRMS: common welfare HRM system  
**Source(s):** Table by authors



Source(s): Figure by authors

Figure 2.  
Direct effect model



Source(s): Figure by authors

Figure 3.  
Causal model and hypotheses

## 6. Discussion

This study aimed to empirically analyze a new approach related to a higher level of consciousness in management, specifically in human resource management. Beyond disciplinary and achievement organizations, and their control and commitment HRM systems, respectively, organizations and society in general are calling for more conscious and compassionate organizations concerned not only with financial performance, or even innovation, but also with the common welfare of employees and stakeholders. This research

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delves into the HRM–innovation relationship and tests the link between the common welfare HRM system and innovativeness through altruism.

The empirical findings presented in this paper suggest that this system, explained by three dimensions (common welfare recruitment and selection, common welfare training and promotion, and common welfare evaluation and compensation), has an impact on innovativeness through altruism. The common welfare HRM system, which represents a significant departure from the traditional control and commitment HRM systems, aims to increase the learning, flexibility, humanity, consciousness, self-management and innovation capability within organizations. The main goal of the common welfare HRM system is to foster innovation through a prosocial approach.

Hence, results show how the common welfare HRM system promotes a climate of altruism in organizations that, in turn, affects organizational innovativeness.

### *6.1 Theoretical and practical implications*

On a theoretical level, our paper represents a step forward in the study of a new HRM system based on common welfare principles grounded on higher levels of consciousness, and its organizational outcomes such as innovation.

This study therefore responds to the call for a paradigm shift in the social sciences, and especially in HR management. This paradigm shift is based on the need to build organizations whose key values are caring for others (all stakeholders) and humanity (e.g. Rynes *et al.*, 2012). This is what we previously described as conscious organizations, which are strongly related to common welfare HRM practices, and are defined as innovative organizations that care for all stakeholders and underline the importance of humanity and self-management.

The study therefore provides empirical evidence for the common welfare HRM system and fills the gap in HRM research in empirical testing of alternative HRM systems in line with more conscious and humanistic values, such as sustainable HRM (Aust *et al.*, 2020; Kramar, 2014), green HRM (Dumont *et al.*, 2017) or socially responsible HRM (Shen and Zhu, 2011), rather than an exclusively performance-based focus. Indeed, HRM systems that are only concerned with performance, such as high performance HRM systems, have been shown to have a dark side as they do not sufficiently take employees into account (Jensen *et al.*, 2013).

In their literature review, Seeck and Diehl (2017) found that the potential mediators considered in the HRM–innovation relationship are somewhat scattered, concluding that explanatory mechanisms have received limited attention in the literature. The present paper contributes to fill these gaps by empirically analyzing the relationship between the common welfare HRM system, altruism and innovativeness.

As well as bridging the gap in the existing HRM literature, our study also provides empirical support for a common welfare HRM system linked to innovation through altruism. It clearly shows the positive impact that this system has on innovativeness by promoting the generalized presence of altruism within organizations. These findings align with previous research showing that altruism plays an important role in organizations (e.g. Domínguez-Escrig *et al.*, 2016). Altruism acts as a catalyst for common welfare practices, and, in turn, employees are willing to help colleagues when the need arises. This atmosphere of others-oriented behavior will lead to a more creative and innovative outcome (Akgün *et al.*, 2007). Although the mediating role of others-oriented behavior (such as prosocial behavior) in organizational outcomes has been tested in previous studies (Grant and Berry, 2011), research on this topic is still scarce. Therefore, our study makes a meaningful contribution to understanding the key role of altruism in the HRM system–innovation link. We also contribute to the literature that analyzes the antecedents of innovation (e.g. Alegre and Chiva, 2008; Chiva *et al.*, 2014; Jiménez-Jiménez and Sanz-Valle, 2011).

This study has implications that can help managers to increase innovativeness through a specific HRM system. Our findings reveal that a coherent set of HRM practices based on common welfare principles and a high level of consciousness create a climate of altruism that results in innovativeness. Managers who want to increase altruistic behaviors in their organizations should pay attention to a range of HRM practices characterized by these values.

### 6.2 Limitations and future research

Specific methodological limitations must be recognized in the present study. First, a multiple-respondent approach was adopted, and informants were chosen because of their position in the company and their knowledge about it. This method has some drawbacks, such as low response rates, higher data collection costs or social desirability bias. In addition, recent research (e.g. Jensen *et al.*, 2013) suggests that employees' experience of HR systems has the most direct influence on their behaviors, thus revealing a need for research exploring the impact that employees' experience of HR systems has on their outcomes. Therefore, future research could usefully extend the results of this paper by considering the employees' point of view. Second, we only included one subjective measure of innovativeness. Including an objective measure of innovation may have lent stronger support to our findings. However, the outcomes of innovation are sometimes difficult to objectively identify and measure in organizations (Dewangan and Godse, 2014). Future research should also explore the effects of the common welfare HRM system on different types of innovation (radical/incremental) innovation and different phases of the innovation process (idea generation, promotion, realization or implementation).

## 7. Conclusions

Although the relevance of human resources has sometimes been neglected, few organizations will gain a competitive advantage based solely on financial resources (Haynes *et al.*, 2015). Therefore, human capital and prosocial behavior are some key factors in opening doors to innovation. Attending to human resources through conscious practices that pursue common welfare and humanity might enable organizations to nurture an atmosphere that prioritizes caring for others (through altruistic behavior, for example), which, in turn, will lead to more innovation. This idea clearly aligns with the paradigm shift in the social sciences that appears to be initiating permanent change in the sphere of management and organizations.

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## Appendix

### Common Welfare HRM System scale

#### *CW Recruitment and selection*

- RS1. In our company, people are selected for their eagerness to learn.
- RS2. Our company hires people who inquire, experiment or attempt new things.

#### *CW Training and promotion*

- TP1. Personal development and growth are an essential part of the company's philosophy.
- TP2. In our company people carry out multiple tasks and job functions, so they are very versatile.

#### *CW Evaluation and compensation*

- EC1. In our company people are assessed on their general contribution to the company and/or the customers/users.
- EC2. In our company people are appraised by their peers or they simply self-appraise.
- EC3. Our company places a high value on altruistic, compassionate and empathic behaviors.

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EC4. In our company people feel that the salary difference between the highest and lowest earners is fair.

The common  
welfare HRM  
system

Altruism scale (Podsakoff *et al.*, 1990)

- AL1. The people of our company help others who have been absent.
- AL2. The people of our company help others who have heavy work loads.
- AL3. The people of our company help orient new people even though is not required.
- AL4. The people of our company willingly help others who have work related problems.
- AL5. The people of our company are always ready to lend a helping hand to those around him/her.

Innovativeness scale (*based on* Calantone *et al.*, 2002)

- IN1. Our Company frequently tries out new ideas.
- IN2. Our company seeks out new ways to do things.
- IN3. Our company is creative in its methods of operation.
- IN4. Our company is often the first to market with new products and services.

#### **Corresponding author**

Francisco Fermin Mallén-Broch can be contacted at: [fmallen@uji.es](mailto:fmallen@uji.es)

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