ALTRISTIC LEADERSHIP, EMPLOYEE ENGAGEMENT AND FINANCIAL PERFORMANCE

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ALTRUISTIC LEADERSHIP, EMPLOYEE ENGAGEMENT AND FINANCIAL PERFORMANCE

A Project

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Abstract

of

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Statement of Problem

Altruism is not a concept that would be widely discussed in business world. Seldom literature mentions the benefits of altruistic leadership and what impact it can make within an organization. Altruistic leadership is usually categorized under transformational leadership and authentic leadership as part of the characteristics. This project focuses on discussing the links among altruistic leadership, employee engagement and financial performance, demonstrating how altruistic leadership would lead employees to be more engaged and create a higher performance.

Sources of Data

Main sources of data are collected from papers from journals to magazines.

Conclusions Reached

It can be proven that there is link between altruistic leadership and employee engagement. And since high leveled employee engagement ends up with high overall performance, two propositions are therefore come into existence. For leaders, soft skills, such as being altruistic, compared to financial incentives would also work well in today’s business world. However, for future research, it is recommended that using statistic data for firm evidence.

__________________________, Committee Chair
Kuei-Hsien, Niu, Ph. D.

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Date

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Chapter 1

INTRODUCTION

In today’s business world, altruism is not a commonly discussed topic. Competition is tense not only among different industries, but also within companies. Striving to gain more profit, business somehow gives the impression that it turns everyone against each other for the sake of survival. Natural selection from Darwin, survival of the fittest, instead of care about the welfare of others, seems to be a perfect description of business world nowadays.

Being profitable is the major means for companies to ensure organizational survival and it is common that people would use any method to keep the organization alive by reaching to its financial goal. However, many companies’ missions are beyond all those financial figures. A lot of companies, whether in western society or in eastern society, have philosophy/ mission of doing good for the world. Chevron invests in communities which mainly focuses on three areas: health, education and economic development; Coca Cola works with World Wildlife Fund (WWF) to promote Arctic Home project for saving polar bears in the Arctic, whereas eastern companies tend to stay low-keyed while doing good to the society. An example would be many corporations made donations as Japanese Tsunami 311 happened. Within organizations, one can usually notice that co-workers or supervisors would help others not exactly they would financially benefit from their behaviors.

These seeable phenomena break the stereotype of business world, making several questions worth to think about. Is it possible that part of human nature, being altruistic, would help companies increase the number on the financial statement? Would altruistic leadership be able to lead the employees more engaged and eventually raise the performance? Therefore, propositions that altruistic leadership would increase the employee engagement level, which
would eventually enhance the financial performance, will be addressed in the paper and further
discussion will be brought up in the end of the paper.

This paper aims to provide theoretical concepts related to the relationships among
altruistic leadership, employee engagement and financial performance. The literature review of
these three concepts would examine whether or not altruistic leadership can ultimately enhance
organizational performance.
2.1 Definition of altruism

To broadly discuss about altruism, Rabindra (1993) defined altruism in two ways: a willingness to sacrifice one’s welfare for the sake of another, and behavior that render help to another person regardless of the helper’s intention. More recently, Michael and Mark (2010) define altruism in three concepts: behavioral altruism, psychological altruism and its normative content. They claim that experimental economists define altruism in terms of consequences of actions and to distinguish behavioral altruism from biological altruism, and they impose the formal two conditions: an action (i.e., $\Phi$), is altruistic if and only if it is costly to the agent who performs $\Phi$ (costliness condition), and it benefits another party (benefit condition). Psychological altruism refers to a theory of motivation, as well as a type of motivation. To remove ambiguity, they use a reasonable expectation to benefit condition (REB) and thus define psychological altruism: an action (i.e., $\Phi$) is altruistic in the psychological sense if and only if it satisfies the reasonable expectation to benefit condition (REB), the reasonable expectation of cost (REC) condition and the goal conditional (GOAL). Furthermore, they provide a specified definition of psychological altruism: an action (i.e., $\Phi$) is altruistic in the psychological sense if, in addition to fulfilling REB and REC, the goal of benefiting another party is either alone sufficient to motivate $\Phi$, or is, together with a self-regarding goal, necessary and sufficient to motivate $\Phi$. Last, ethical sense if and only if $\Phi$ fulfills the criteria for psychological altruism, and $\Phi$ is supererogatory
(according to a reasonable moral outlook.) However, Rabindra (1993) also mentioned that it is rather difficult to tell the agent’s internal intention; the paper, therefore, adapts behavioral altruism.

In other studies, altruism is unselfish behavior and attitude towards the welfare of others. It can be expressed as intentional behaviors that benefit another person, and it can be better explained as behaviors that have no obvious gain for the provider, or pure altruism is giving without regard to reward or the benefits of recognition and need (Somashekhar et al., 2011). In addition, according to Stephen (2010), altruism is considered as the promotion of needs of others, unlike self-interest, the promotion of needs of self. Smith et al. (1983) brought a concept that describes about the altruistic behaviors within an organization. He defines altruism as a pro-social act towards other organizational members, such as helping with heavy workloads, orienting new people, and helping those who have been absent.

2.2 Altruistic leadership

Altruistic leadership is the guidance of others with the final goal of improving their wellness, but unfortunately, there is not many studies regarding to altruistic leadership (Barker, 1997; Staub, 1991, 1992). Barker (1997) depicts altruistic leadership as a common higher calling to social compassion from a universal ethical conscious.

Lisa et al. (2005) conducted interviews with NCAA Division I-A coaches from a large US Midwestern university and summarized the discussion that coaches aligned attitudes and behaviors consistently with altruistic leadership, which attitudes and behaviors included character, caring, empowerment, and balance. In their findings, 14 out of 15 coaches discussed the importance of morals, ethics, integrity, trust, honesty, humility, and fairness when it comes to character in defining altruistic leadership. The interview showed that 13 out of 15 coaches considered caring as elements of altruistic leadership, referring to meeting student-athletes needs,
providing individual attention, having a parent’s mentality, and thinking of the greater good. Another finding in the research, 10 out of 15 coaches perceived empowerment important part of altruistic leadership and it contains their desire to teach, to improve life skills, to encourage striving for excellence, and to maintain a positive attitude. Finally, balance is thought important by 7 out of 15 coaches and they includes balance within student-athletes’ lives and within their own life. The above concept can be extended to business concept.

To dig broadly, altruism can be used to view how altruistic leadership would be like. Kanungo (2001) claims altruism as the tool that such leaders use for influencing followers towards the collective goal. Kanungo and Medonca (1996) infer altruism drives leaders’ capacity to grow, be sensitive to needs of followers, to lead by being led.

Research showed that altruism in the concept of transformational leadership and authentic leadership. Based on Niti and Venkat (2007), they found altruism as the mediating role in the relationship between self-sacrifice and transformational leadership and the importance of focusing on a more enduring personality aspect like altruism as the immediate antecedent of transformational leadership.

2.3 Definition of employee engagement

Employee engagement is a relatively new concept in HR field. Different from the concept of employee job satisfaction, employee engagement is about aligning with job satisfaction and job contribution (Solomon and Sandhya, 2010). In Thiagarajan and Renugadevi’s (2011) paper “Employee Engagement Practices in Indian Industries – An Empirical Investigation,” employee engagement is defined as the level of commitment and involvement an employee has towards their organization and its values. And based on Perrin’s Global Workforce study (2003), it is defined as employees’ willingness and ability to help their company succeed mainly through providing discretionary effort on a sustainable basis. In Tim Rutledge’s book (2005), Getting
Engaged: The New Workplace Loyalty, he describes that truly engaged employees are attracted to, and inspired by, their work, committed, and fascinated. Engaged employees care about the company’s future and are willing to devote themselves to the work unconditionally, even it doesn’t belong to their job, for the success of the company.

Robinson et al. (2004) define employee engagement as “a positive attitude held by the employee towards the organization and its value. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. The organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee.”

Gallup organization defines employee engagement as the involvement with and enthusiasm for work. Dermovsek (2008) cited that Gallup likens employee engagement to a positive employees’ emotional attachment and employees’ commitment.

2.4 Definition of financial performance

A large number of studies show that many corporations measure organizational performance with two main sections: financial and non-financial performance. A popular performance measurement is balanced scorecard. The balanced scorecard (BSC) approach to management (Kaplan and Norton 1992, 1993, 1996) has gained prominence in management accounting research as a way of integrating financial and nonfinancial performance measures (Atkinson et al., 1997; Ruhl, 1997; Shields, 1997; Simons, 2000.) The BSC measures organizational performance from four scopes: financial performance (or shareholders), customer relations, internal business processes, and learning and growth. From BusinessDictionary.com, it definition for financial performance is measuring the result of a firm’s policies and operations in monetary terms. These results are reflected in the firm’s return on investment, return on assets value added, etc. In the paper, only financial performance would be focused on.
Chapter 3

DISCUSSION

The following figure shows the theoretical framework.

![Diagram of Altruistic Leadership, Employee Engagement, and Financial Performance](image)

Figure 1 Altruistic leadership, employee engagement and financial performance

3.1 Altruistic leadership and employee engagement

In the book of Ralph Stayer (1994), Fight of the Buffalo: Soaring to Excellence, Learning to Let Employees Lead, Thayer, a communications professors, explained that a critical task for a leader is to create a climate that enables employees to unleash their potential. It is not the job of a CEO to make employees listen to what you have to say; it is about setting up the system so that people want to listen. Gerard and Dan (2006) summarized from the literature several avenues for action to get leaders engage employees and part of the actions indicate that good leaders help create confidence in a company by exemplars of high ethical and performance standards. Since altruistic leadership is highly related to leaders’ high ethical value, such leaders could build public trust, maintain a company’s reputation, leading employees to be proud of the company and to commit to the company, which create a higher employee engagement level.

Bass (1999) and Jenson and Luthans (2006) suggest that transformational leadership and authentic leadership are two engagement friendly leadership. Visioning and inspiring, two important competencies the transformational leaders own, are critical to engagement (Densten, 2005). Due to the positive relationship between altruism and transformational leadership, we can then reason altruistic leaders would also foster employee engagement. Further, authentic leadership put focus on the well-being of the employees and help employees build upon their
strength. Behaviors as listed in authentic leadership concept are positively related to altruistic leadership, because the altruistic leadership’s ultimate goal is to improve employees’ wellness. Hence, altruistic leadership can be inferred that it would foster authentic leadership and therefore increase employee engagement level. Thus, the proposition is offered:

*Proposition: Altruistic leadership would benefit the organization by increasing employees’ engagement through setting good model, focusing on the well-being of the employees and aligning employees goals with the organizational targets.*

3.2 Employee engagement and financial performance

Studies show that there’s a positive relationship between employee engagement and organizational performance outcomes such as profitability, productivity, retention, customer loyalty and safety (Solomon and Sandhya, 2010). In their paper, they mentioned that Meere (2005) found that both operating margin and net profit margins decreased over a three-year period when the companies were at low engaged level, while these measures went up over the specified period as the companies were at high engaged level, which the finding was based on a survey conducted by ISR on 360,000 employees from 41 companies in the strong economically strong countries.

A research conducted by Gallup Organization showed that higher engagement levels at workplace predict higher earnings per share. In Kahn’s (1990) definition of engagement, findings point out that organizational members who are personally engaged (cognitively and/or emotionally) as opposed to disengaged are not only more satisfied, but also more productive (Fred and Suzanne, 2002.) Bill (2009) also cites survey research to prove the relationship between employee engagement and organizational performance. This 2008/2009 WorkUSA survey found that highly engaged employees work at companies with 13 percent higher total returns to shareholders over five years and a 50 percent higher market premium, indicating that business (financial) performance can be enhanced through increasing employee engagement level.
Moreover, CIPD (2008) found a generally positive correlation exist between employee engagement levels and performance (Cheryl and David, 2010.) Cheryl and David (2010) mentioned extensive research indicates clear links between highly engaged individuals and overall organizational performance, specifically with bottom line results, job and customer satisfaction, absence, staff turnover and resilience to change (Stakeholder Magazine, 2009.) Therefore, the proposition is given:

Proposition 2: High leveled employee engagement is beneficial to the organization’s financial performance, as well as other aspects of organizational performance such as retention, loyalty and employee satisfaction.
Chapter 4

CONCLUSION

Altruism often causes a reciprocal relationship between one and the other, and companies, according to Howchwarter (2003), must develop trust among its employees to strengthen a positive reciprocal relationship; citizenship behavior should be rewarded, and rewards should increase expectations that employees will continue to act as corporate citizens. By helping and cooperating with others, these good citizens (eg., Podsakoff et al., 2000; Smith et al., 1983) are able to demonstrate with personal action what the organization’s ethical policies, procedures, and codes attempt to communicate in the hypothetical (Lauver and Kristof-Brown, 2001; Motowidlo and Van Scotter, 1994.) It is thought that organizational citizenship behavior could enhance the level of commitment and involvement an employee has towards their organization and its values, which explains the altruistic mindset and behaviors leaders own could ultimately lead to higher employee engagement.

Altruistic leadership as well helps leaders build up trust among the team and it helps their subordinates align their personal goals with corporation goals. It may encourage altruistic behaviors among employees and foster reciprocal culture within the organization. Therefore, any organization who has committed leadership can achieve the desired level of engagement with less cost of doing it, which however, does not mean that managers should ignore the financial aspect of their employees. To conclude, it is encouraged to use a soft strategy like altruistic leadership to improve the overall organizational performance.
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