

Management

## The business case for happiness in the workplace

DELLA BRADSHAW

Financial Times

Published Wednesday, May. 22 2013, 7:00 PM EDT



Happy people may be the most effective in the workplace. But the financial crisis, layoffs and salary freezes have reduced happiness in the workplace, studies have shown.

(Jupiterimages/Getty Images/Polka Dot RF)

Forget spreadsheets, swot analysis and risk management; the latest topic on the business school agenda is happiness.

Those academics who research the topic prefer to classify it a bit differently, however.

“Meaning” is the term used by Lee Newman, dean of innovation and behaviour at IE Business School in Spain. At the Stephen M. Ross School of Business at the University of Michigan, Jane Dutton, professor of business administration and psychology, says it is about “human flourishing.” Christie Scollon at Singapore Management University describes it as “subjective well-being.”

But however they describe it, they all agree that happiness makes good business sense. Moreover, employers and policy makers need to consider the happiness factor if they are to promote strong economies and profitable companies.

Andrew Oswald, an economist at Warwick University in the U.K., points out: “When people become happier, they somehow find more energy. We don’t know how they do it.”

According to Prof. Scollon, a psychologist: “Research shows that happy people earn more money, are healthier (spend fewer days out of the office sick) [and] are more creative at problem solving.” This means promoting happiness in the company makes commercial sense “even if you’re a total Scrooge and only care about making money,” she adds.

Like many apparently sudden trends in management thinking, business academics’ interest in happiness has been decades in its gestation and originated in the development of “positive psychology” – a focus on well-being rather than mental illness – in the 1980s. Prof. Oswald says Warwick has been studying the subject since the 1990s. “It’s moved from being another strange thing to being relatively mainstream. It’s just unstoppable.”

Advances in neuropsychology have added rigour and clarity to the picture, while the integration of non-business academics, especially psychologists, into traditional business schools has led to a broadening of interest among economists, says Christopher Hsee, professor of behavioural science and marketing at Chicago Booth, and a psychologist by training.

“About 30 years ago, psychologists and economists rarely talked to each other but now more and more people in economics realize psychologists have a lot to contribute in solving economic problems,” he said.

The combined interest of professors and students has helped to drive enthusiasm, says Michael Norton, associate professor at Harvard Business School. “Teaching is dependent on what faculty are interested in and what students want to learn. I think there’s just a confluence now.”

But business has also been key in advancing the agenda. “Elite workers are extremely expensive to replace, so taking job satisfaction measures is not a soft-minded thing to do, it is a hard-minded thing to do,” according to Prof. Oswald.

Indeed, Prof. Newman believes it is companies that are the driving force. “We like to think that business schools are ahead of companies. But in this domain companies are ahead of schools.”

Organizations such as Google and Southwest Airlines are cited as examples of companies that adopted positive practices in their organizations. “They’re constantly introspective about themselves,” Prof. Dutton says. “Their strategic success depends on it.” Governments are also addressing the happiness agenda in France, the U.K. and the United States.

The financial crisis and the subsequent recession have emphasized the need for this teaching, and layoffs and salary freezes have exacerbated the problems of unhappy workers. “Debt is very closely related with depression and mental illness,” Prof. Oswald says. “Fear of unemployment is a very real fear. Everything to do with fear seems to be debilitating.”

While the study of happiness has been instrumental in addressing problems of organizational culture, there is a second wave of research – equally important – about the relationship between organizations and their customers. “Increasingly the marketers are thinking about the psychological triggers [for customers],” says Prof. Norton. Price-cutting is an obvious trigger for happiness but others, such as those relating to environmental sustainability or social responsibility, are less well-defined.

Triggers for individual employees, too, are about more than just financial gain, he says. Indeed there is real evidence that doing things for other people makes you happier. Prof. Norton cites his research in Europe with a company bonus scheme. A sample group from the company were told to spend their €15 (\$20) bonus on other employees rather than themselves. Those who did so were much happier than the control group, he says.

What is clear is that the rigour of work done in the intersection between business, society and individual well-being is increasing.



**Publication: The Globe and Mail**

**Date: 22 May 2013**

**Headline: The business case for happiness in the workplace**

“There is good science that grapples with the real issues,” Prof. Oswald reports. “I imagine 10 years from now it will inform how to treat employees and how to define work systems. Most of these systems [today] just come from guesses.”

But there are still negative perceptions to overcome, Prof. Scollon says. “The stereotypes of happy people are that they are dumb. We have sayings like ‘ignorance is bliss.’”

Whereas happy people, it seems, may be the most effective in the workplace.