



## THE BUSINESS CASE FOR HAPPINESS

*[A conscious business] has a deeper purpose beyond only making profits. Just like individual people by following their hearts can discover their own sense of deeper purpose, so can the business enterprise.*

—John Mackey, Chief Executive Officer, Whole Foods<sup>i</sup>

### INTRODUCTION

Leaders, whether they are CEOs or budding entrepreneurs, focus on making their company successful by concentrating on operations, sales, marketing and growth—all the things that feed into the bottom line. But asked about bringing happiness to employees and customers, many leaders don't know how much importance to place on it, if the concept is even on their radar screen. However, research shows—time and time again—that there are bottom line benefits that happiness provides. These range from increased productivity, to development of a greater number of innovative products, to fewer sick days. Happiness also positively correlates with individual workplace success, including higher income, favorable evaluations by a superior, helping fellow workers, and social support from colleagues and supervisors.<sup>ii</sup> (See **Appendix I** for a happiness measurement primer.)

### WHAT IS HAPPINESS AND WHY SHOULD WE CARE?

We care because investing in happiness—both for employees and customers—drives profits for firms. For example, employees are more likely to come up with a creative idea when they're in a better mood than normal,<sup>iii</sup> and customers will pay more for a great experience. When they are unhappy, not surprisingly, employees are more likely to turnover or call in sick. Unhappy consumers share their negative experiences more than they share their positive ones. People are more likely to seek variety in their choices when they are unhappy, thus eroding brand loyalty.<sup>iv</sup>

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Sara Gaviser Leslie, Professor Jennifer Aaker and Debra Schiffrin prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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As with any other investment, devoting monetary and other resources to happiness is not guaranteed to yield a positive return. However, numerous studies looking at firms, from those with just a handful of people to large multinational corporations, have shown that the right investments in happiness do pay off. Employee satisfaction correlates with shareholder return. Companies listed in *Fortune*'s "100 Best Companies to Work for in America" had equity returns that were 3.5 percent higher than those of their peers.<sup>v</sup> The findings of the many empirical studies are supported by more fundamental psychological and sociological research diving deeper into human emotions.

So what exactly is happiness? According the *Miriam-Webster Dictionary*, "happiness" is "a state of well-being and contentment" and "a pleasurable or satisfying experience."<sup>vi</sup> In formulaic terms, happiness is often thought of as the difference between expectation and performance. For example, if two employees receive the same bonus but one was expecting a higher bonus and one was expecting a lower figure, the employee whose bonus exceeded expectations is likely to be significantly happier. The same general model holds for customers when it comes to a product or service experience.

So how do you design brands and companies for happiness? Research suggests four design principles to consider: higher purpose, autonomy, people, and impact.

**Higher Purpose (beyond profit):** Feeling that you are part of something meaningful. Achieved when you feel you are part of something bigger than yourself, and where the shared goal matters significantly. Note: People are happier when their short-term and long-term goals are aligned.

**Autonomy:** Perceiving that you are in control of your future path, able to work on things you are good at and learn new skills. Achieved when you feel you have the trust from yourself and others to make decisions critical to your work.

**People:** Cultivating meaningful relationships. Achieved through shared experiences where collaboration is productive, innovative, and/or fun.

**Impact:** Having your work impact the lives of others. Achieved when you feel valued and see the concrete, measurable and positive difference that your actions have on others. It is also a feeling of forward momentum and seeing your skills utilized toward the goal of excellence.

Keep in mind that *happiness is not the end goal*; companies should design for higher purpose, autonomy, people and impact (HAPI). Happiness will be the by-product after these goals have been achieved.

## INSIDE THE COMPANY

### Why Does Employee Happiness Matter?

In many, if not most, companies, employee satisfaction could use a boost. Between 1987 and 2005 the percentage of U.S. workers satisfied with their jobs fell from 61 to 52 percent. By 2009, satisfaction fell to 45 percent—the lowest in the 22-year history of The Conference Board's annual survey.<sup>vii</sup>

What can be done? Invest in happiness. In a meta-analysis of 27 studies of affect and job satisfaction, researchers concluded that happier people were 25 percent more satisfied in their jobs.<sup>viii</sup>

Employees' distrust and dissatisfaction with their employers may be causing individuals to become frustrated and less engaged at work. As a result, they are looking outside of work to find opportunities for self-expression and personal fulfillment.<sup>ix</sup> "Challenging and meaningful work is vitally important to engaging American workers," explains John Gibbons, program director of employee engagement research and services at The Conference Board. "Widespread job dissatisfaction negatively affects employee behavior and retention, which can impact enterprise-level success."<sup>x</sup>

The research shows investments in happy employees drive top-line improvements for companies. Happier employees are more efficient, more creative, and produce work of higher quality. Employee satisfaction even directly affects the consumer. A study shows hospitals with the lowest employee satisfaction had the lowest patient satisfaction, and hospitals with the highest employee satisfaction had the highest patient satisfaction.<sup>xi</sup>

Research shows that happier employees are often *better* employees. Happiness is positively related to performance quality, innovation, and efficiency.<sup>xii</sup> Psychologically strong employees consistently exhibit higher performance: 10-25 percent of variance in job performance is associated with differences in well-being.<sup>xiii</sup> If a company were to pay an employee a salary in the \$65,000 range, having that person be psychologically distressed could cost the company roughly \$75 a week per person in lost productivity. With 10 employees, that translates to \$750 per week in performance variance or \$39,000 per year.

It's not just on the revenue side where investments in employee happiness can pay off. A number of studies show happiness initiatives can drive lower costs for companies as well. Happier employees take fewer sick days and are more likely to stay in their jobs.<sup>xiv</sup> Employees at nonprofits take only 0.75 sick days a year compared to an average of seven in the private sector.

Especially for knowledge-based companies that invest significantly in recruiting and training, such as consulting firms or investment banks, turnover is an important driver of cost. The possibility of turnover was 0.57 times smaller for any one-unit increase in well-being.<sup>xv</sup> Why? Happier people are more satisfied with their jobs, and job satisfaction is clearly linked to employee retention.<sup>xvi</sup> One of the reasons that people stay in their jobs is because they like their co-workers, and employees who are happier are not only looking for settings with a good work environment; they also help to create that environment. Furthermore, the causal relationship from happiness to job satisfaction is stronger than the causal relationship from job satisfaction to happiness.<sup>xvii</sup>

## **How Can Companies Promote Employee Happiness?**

### ***Higher Purpose***

People will often work harder for a cause other than money. For example, in one research study, lawyers were offered compensation, around \$30 per hour, for providing legal services to needy retirees. Although the lawyers rejected the offer to receive nominal payment for their time, they

were willing to provide these services for free. This seeming irrationality—the willingness to work for free while being unwilling to receive payment for the same task—occurs because market and social environments intersect in an unusual way. When money was offered, the lawyers used market norms to conclude that \$30/hour was not fair compensation for their time. When money was not mentioned, however, they used social norms—i.e. helping people less fortunate—to make their decision.<sup>xviii</sup>

By giving employees the opportunity to provide their services for free and taking them out of a market environment, companies may find that employees become less selfish, more collaborative, and more helpful. Google gains a tremendous amount of goodwill from employees by changing their relationship from a market relationship to one governed by social norms. Offering free food, child care, exercise rooms, and flextime are some of the ways Google builds relationships with employees. When these employees are then asked to attend out-of-town meetings at a moment's notice or work long hours to meet a deadline, they are less likely to balk at these requests because they feel their employer has upheld its end of a social contract.<sup>xix</sup>

Companies can address employees' frustration with lack of fulfillment in their jobs by engaging them in philanthropy. Since, despite the evidence, it is hard to convince people that money does not buy happiness, some suggest we should take the drive for money as a given and then shift how people spend it.<sup>xx</sup> One way to do this is for companies to offer employees the opportunity to contribute to social good causes through corporate giving programs. They increase the attractiveness of these programs by offering matching gifts, or even the ability to help determine where the dollars go. In this way, employers can actually have a role in making their employees happier. For instance, when researchers followed people after they received bonuses, they found that employees got no meaningful boost in happiness when they spent their money on material things—clothes, electronics, and furniture. However, by giving even a small amount to charity, they felt better.<sup>xxi</sup> Individuals are four times more likely to be loyal to a social good company, and would accept 14 percent lower pay to work for a company that engages in social good.<sup>xxii</sup>

When companies emphasize the social aspect of their relationship with employees, they not only instill meaning in their employees' work but they can also build employee loyalty, flexibility, and a willingness to pitch in.<sup>xxiii</sup> For instance, employees of the drug company Pfizer research, develop, and market prescription pharmaceuticals. Instead of focusing on these routine aspects of work, Pfizer puts forth a mission of “working together for a healthier world.” This mission enables its employees to feel they are working towards a higher goal and doing social good. While the work may be no different under a mission stating, “We find cures for diseases,” the idea of “working together” and doing it altruistically “for a healthier world” allows employees to see themselves as engaged in a social relationship with their company and as partners in reaching a higher goal.

Activities that enable employees to take part in activities that create social good, such as rebuilding a home, volunteering at a school event, or participating in disaster relief efforts, also give employees the opportunity to interact with colleagues in a different social environment. While workplaces are, of course, social environments, doing volunteer work in almost any capacity offers a new experience as well the chance to feel good about oneself, excited, proud and active—all emotions that are strong predictors of happiness.<sup>xxiv</sup>

Some companies shy away from promoting social interaction as a means of creating identity and meaning because they view socializing as a distraction from work.<sup>xxv</sup> The importance of this social interaction should not be ignored because it is vital to employees' happiness and engagement. Adding 2 hours of social time on the weekends increases average happiness by 2 percent.<sup>xxvi</sup>

Getting teams to work together both in and out of the office may lead to more stability as employees get to know each other better and create common goals outside of traditional work interactions. Just as army soldiers in units with stable membership reported greater social support, better physical and mental health and more career satisfaction than units with changing membership, companies with stable employment might experience the same benefits.<sup>xxvii</sup> Further, these close relationships may also have the effect of reducing stress at work.<sup>xxviii</sup>

### ***Autonomy***

Companies can also focus on building autonomy—allowing their employees to make choices the employees believe will best set them, and therefore their company, up for success. Asana, a Silicon Valley start-up focused on task project management software, gave each employee \$10,000 to spend on office setups. The company also allowed employees to opt for different executive and life coaches, depending on the skills they were trying to acquire.<sup>xxix</sup>

Google also designed for autonomy by encouraging employees to spend 20 percent of their time working on projects that were interesting and meaningful to them but were not specifically assigned by their managers. Employees could spend time on projects they personally felt were important to the company or from which they derived personal satisfaction. The 20 percent program kept employees happy; it improved their output in the other 80 percent of their time and has led to the development of products and features eventually brought to the market, including Gmail, Google's e-mail product.

Zappos arranged a system by which employees had some control over their salary. The company gave employees a small pay raise for each of the 20 Zappos "skill sets" they mastered. Employees could choose to master as many skill sets as they wanted, or could opt not to master any, and would stay at the same pay level.

### ***People***

Cultivating meaningful relationships among employees is an important driver of happiness and brings rewards back to the company as well. If companies foster these relationships in a fun way, it will maximize the impact. One example of a company that did this is BabyCenter, which guided mothers-to-be through their pregnancies and created an online and in-person community for its millions of customers.

Every six weeks, BabyCenter took employees off their regular jobs for three days to participate in BabyCenter Innovation Days. Amid pizza parties at the beginning and celebratory ceremonies at the end, BabyCenter employees worked across departments—teaming up with people they had never worked with before—to come up with ideas they were passionate about that drove the company forward. Employees felt energized and refreshed by these days and developed long-lasting, meaningful relationships.

To create internal connectedness, Zappos encouraged employees to socialize outside of work, and managers were required to spend 10-20 percent of their time hanging out with their team members. Zappos also published its Culture Book annually; it was made up of employees' thoughts on what the Zappos culture meant to them. The book was shared both internally and externally, and the company wanted employees to feel like they were having a shared experience.

Happiness also is related to employee retention; whether employees have meaningful relationships with their managers or co-workers plays a critical role in the decision to stay rather than move on to another job. As the adage goes, "People don't leave jobs, they leave bosses."

### ***Impact***

Companies that enable employees to have a measurable impact within the organization and on customers create another form of happiness. For example, JetBlue fostered a non-hierarchical culture to allow as many employees as possible to have an impact. In March 2012, a coordinator (a first level management position) came up with an idea for a free publicity stunt. This successful stunt went from conception to execution in just a few hours, as the idea did not have to go through multiple layers of bureaucracy to get to the people who could make it happen.

Implementing mechanisms that make employees feel valued is another driver of happiness. A company that did that well was Kelmar Safety, which managed a "How's My Driving?" program. When customers dialed a 1-800 number to give drivers compliments and thanks, the company made sure those compliments were passed onto the drivers, instead of just being heard by management, as compliments were in many other companies.<sup>xxx</sup>

Google made employees feel valued through programs such as spot and peer bonuses. The company paid particular attention to its employee survey, giving employees the feeling they could make a real difference in the company. Google also offered enrichment classes in subjects that could lead to employee career advancement, and its rapid growth meant employees experienced a sense of personal growth along with the company.

For employees, happiness comes from the feeling of progress and momentum, both in their company and in their own career trajectories.

## **IN THE MARKET**

### **Why Does Customer Happiness Matter?**

The book *Delivering Happiness* tells the story of Zappos, the online shoe and apparel company, which gives customers tools to comment and share feedback on products, enabling them to be partners with the company. It gave great customer service (e.g., it was one of the first companies to offer free shipping and free returns on all products) that cultivated customer autonomy. Zappos also maintained a blog and tweets to create a relationship between the company and its customers and among the customers themselves.<sup>xxxi</sup> Zappos had been successful by driving customer autonomy, competence, and relatedness, and giving customers the feeling of being part of something bigger—all feelings that are related to happiness.

Happy customers buy more than unhappy customers (who also talk to more people about their negative experiences than happy customers do about their positive ones), and can offer several meaningful supports to a company. Happy customers are repeat customers, will pay more for a great experience, are loyal, and will even drive marketing for a company. Companies like Zipcar and Southwest have actually “flourished in the void where the axis of misery entirely misses the point.”<sup>xxxii</sup> In other words, these companies have succeeded in industries that are most commonly associated with poor customer service and aggravation. Further, understanding that happiness shifts as people age can help businesses target their products more precisely; they can sell “exciting” things to younger people (Nintendo Wii, Mountain Dew) and calming things to older consumers (herbal tea, bubble bath, yoga clothes).<sup>xxxiii</sup>

## How Can Companies Promote Customer Happiness?

### *Higher Purpose*

Charitable giving is a tried-and-tested way to promote consumer happiness, just as it is with employee happiness. Companies use gifts to cultivate a positive public image and warmth, which is likely to increase customer spending.<sup>xxxiv</sup> Teenagers with favorable impressions of a company’s philanthropy are three times more loyal than those without a positive impression of a brand. Further, 90 percent of teens will switch to a brand affiliated with a good cause if price and quality are equal.<sup>xxxv</sup> And the impact could be greater still—beyond creating a positive impression, involving employees in corporate giving enables these employees to experience greater well-being and higher satisfaction than employees who have no influence over the company’s spending.<sup>xxxvi</sup>

In some cases, charitable giving can be used even more effectively when it is tied to a purchase or other specific action performed by a customer. Companies can engage customers by giving them an option to make a contribution at the point of sale or telling them a portion of their purchase price will go to a company’s charitable activities.

The Gap’s “Give and Get” program, for example, allowed customers to allocate a portion of their purchases to the nonprofit company of their choice and inspired them with the tagline, “Be what’s possible.” Pepsi’s “Refresh” project was another example of a corporate effort intended to help people and companies working on social good projects. They would receive money from Pepsi to support these efforts which would position the Pepsi brand as a catalyst for optimism. In the second iteration of the Pepsi Refresh Project, Pepsi created an even closer link between the donations and purchase, giving consumers a code for extra votes under the cap of each bottle of Pepsi and Diet Pepsi.<sup>xxxvii</sup>

Similar to the Pepsi Refresh Project, American Express initiated the “Members Project,” inviting Amex cardholders to propose ideas for a project that “can make a difference in the world.” Members voted on the projects to determine which one would receive \$2.5 million from the company. Customers and the corporation become partners in doing social good which can increase customer loyalty and improve the corporation’s reputation.<sup>xxxviii</sup>

Innovative corporate social good projects can generate enormous dividends for a brand. They both enable the brand to exude warmth and also increase the amount of time customers spend with a brand. The more time consumers spend with a brand, the more engaged they will be, and

the more they will feel that the brand represents them as individuals. Then, when brands draw consumers' attention to their time spent on a product and the experiences gained with a brand, they are able to drive feelings of connection between consumers and their brand of choice.<sup>xxxix</sup>

Warmth is often an emotion related to happiness, but fostering feelings of warmth in your brand is not always positive for the bottom line. For starters, customers are often unprepared to see corporations as cultivators of social good. Companies that attempt to communicate their greater purpose must contend with the stereotypes that surround both nonprofit and for-profit entities; nonprofits are perceived as being warmer than for-profits but less competent. Perceptions of competence drive willingness to buy, which means that consumers are more eager to buy a product from a for-profit than a nonprofit.

A study asked customers to describe their views on nonprofit and for-profit companies. When consumers were shown Internet-based businesses with web addresses ending in dot-org, such as donorschoose.org, they perceived the company as caring and worthy but not having a high level of competence. However, in studies of several firms, consumers perceived competence as a better predictor of global endpoints (e.g., willingness to buy) than warmth. Admiration for a firm, however, was a distinct driver of buying intent. Thus companies need to find a way to emphasize both competence and warmth. If they can, they may be able to increase customers' admiration, which drives buying intent.<sup>xi</sup>

### ***Autonomy***

As exemplified by Zappos, a way to drive happiness is by giving consumers autonomy. Companies create these feelings of autonomy by giving people tools to personalize their experiences. Nike, for example, offers customizable sneakers. Similarly, healthcare companies have built tools to enable users to access their charts, schedule appointments or speak with physicians, making a previously inaccessible industry more transparent and giving patients more control over their own care. All of these methods increase the amount of time that customers spend with a brand which, in turn, drives customer engagement.

In a phenomenon dubbed the "IKEA Effect," research shows increased self-value derived from self-made products (i.e. items built by the consumer from kits they buy from IKEA). Consumers were happier with their self-made products than similar ones built by experts. However, labor only leads to increased happiness when it results in the successful completion of tasks. The "IKEA Effect" disappeared for consumers who did not complete their projects.<sup>xli</sup> The implications of the "IKEA Effect" should serve as a warning for companies trying to create autonomy for their consumers—give consumers some rope but try to avoid having them trip and fall.

### ***People***

BabyCenter was a place that cultivated relationship building between customers and the company as well as between customers themselves. The company had a robust website that offered advice and fostered a two-way dialogue with customers. BabyCenter also had BabyCenter Birth Clubs, which connected women at the same stage of pregnancy together and facilitated meetings between them. Long-standing friendships came out of these clubs.



Zappos used the telephone as a relationship-building tool. Telephone customer service operators were not compensated based on the number of calls they handled; they were told to spend as much time with customers as it took to resolve their issues. Zappos said these conversations allowed employees to develop a personal emotional connection with the customer, which helped build the brand. Zappos also capitalized on the latest social media trends, including Twitter. Zappos' CEO Tony Hsieh's @Zappos account had over 1.65 million followers. The company received numerous e-mails in which customers said they decided to buy from Zappos that day because they were following the company on Twitter. They made comments such as, "I feel like I know you."<sup>1</sup>

Beauty Talk, cosmetics vendor Sephora's interactive website, enabled current and potential customers to communicate with and ask advice from other users and beauty experts. As customers built relationships with each other, they found the website to be a safe and fun place to ask each other personal beauty questions they probably did not want to ask elsewhere. There were certain customers giving advice who earned the title "Beauty Mavens" because they had become trusted sources of information and guidance for other users.

### ***Impact***

Companies must identify customers' emotional goals and create the sense that spending time with the brand will help them achieve those goals.

As mentioned earlier, when customers participate in a company's social good projects, they feel the impact of their actions and connect that positively to the brand. Another way to design for impact is making customers feel valued by providing customer perks and a voice—for example, through an interactive website or blog. Ideally, companies develop a low-cost, high-touch strategy to maximize this goal.

Companies can also promote happiness by making customers feel they are part of its forward momentum—part of a wave of excitement, progress and drive toward excellence. Being associated with such a brand can make customers feel they are in a special club of people who are "in the know." This is especially true for niche brands and products, but applies to all brands. For example, Apple has capitalized on customers' desire to be at the forefront of technology and innovation, and customers are willing to pay more to be a part of that movement. Similarly, Whole Foods shoppers are willing to pay more for food from a company they think is at the forefront of a new food movement featuring organic produce and local farms.

Lastly, companies can increase customers' feeling of impact by listening to and acting on customers' complaints, compliments or other issues. For example, a JetBlue customer showed up at check-in with a box that contained a folding bike. Even though the box fit the weight and size requirements for check-in luggage, JetBlue charged him a \$100 bike fee. The customer tweeted his dissatisfaction, and that night JetBlue changed its policy on folding bikes and told the customer it was refunding his fee.

JetBlue also enabled customers to have impact through its volunteer panel of 10,000 – 12,000

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<sup>1</sup> See Stanford Graduate School of Business Case M333, "Zappos: Happiness in a Box," written by Sara Gaviser Leslie and Professor Jennifer Aaker.

frequent fliers. The company turned to the panel for feedback on its ideas and programs. When JetBlue was in the process of naming its new premier program, it presented its idea to the panelists and they hated it. Because of this feedback, JetBlue went with a different name.<sup>2</sup>

## **CONCLUSION: MANAGING FOR HAPPINESS**

Making the right investments in happiness, like other management decisions, requires deep knowledge of your company and/or brand's culture and reputation. There's no one-size-fits-all approach, and the same investment may not be worthwhile for one company but produce a massive return for another. In situations where people feel natural warmth, like for a nonprofit, happiness is more likely to be already baked in and investment might be better spent on promoting effectiveness. In situations where competence is established, it is more likely that happiness will need to be actively cultivated.

The ingredients of happiness also change, so managers need to build companies and brands that allow for a migration path. The internal employee policies that work in a 10-person company for creating happiness don't necessarily scale as a company grows. Likewise, the happiness consumers derive from purchasing something from a niche brand will have to be replaced with other sources of happiness as the brand scales and loses its intimacy with the consumer.

Just because happiness works, it does not mean there is no appropriate place for negative emotions too. American popular culture supports the notion that positive emotions are always desired over pessimistic or negative emotions and that we should do everything we can to promote optimism. However, research shows that negative emotions can lead to positive outcomes too. Negative emotions can lead to performance gain in the idea generation of group members by altering the coordination and motivation of group members. Negative emotions also draw attention to problems, spurring efforts to fix them.

Depressed affect or sadness can be adaptive and help bring focused, analytical thinking that provides a way out of depression. Anger can be energizing, healthy and helpful in decision making when it is used constructively. Fear and anxiety can be healthy when they are appropriate responses, followed by an effort to understand, control and even use the fear. Jealousy in small doses serves as an alarm signal that can help ward off rivals and lead to self discovery. (See **Appendix II** for details on the Upside of Negative Emotions.)

At the end of the day, what makes teams flow and brands flourish is the achievement of HAPI and balancing out negative emotions combined with a company's secret sauce—that special something that brings positive energy and cohesion to teams, and makes brands resonate with their customers.

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<sup>2</sup> The name of the program to be announced in June 2012.

## **MAKING IT HAPPEN: A HAPPINESS CHECKLIST**

So how do you design for happiness? To start, here is a checklist of things to keep in mind.

### **Employee Happiness**

#### Higher Purpose:

- Do employees understand the mission of the company?
- Is our mission attached to a higher purpose or goal?
- Is each employee's role sufficiently tied to that mission and higher purpose?

#### Autonomy

- Do employees feel they are in control of their career path?
- Do employees feel they have trust in themselves and from influential others to make critical work decisions?

#### People

- Does each employee have at least several social connections at work?
- Does the company foster social connections – especially those of work-related teams – at and around work?

#### Impact

- Do employees feel valued by the company and customers?
- Do employees see a measurable impact of their work on others?
- Do employees feel energized?
- Do employees feel they are moving toward excellence – personal and company-wide?
- Is each employee challenged – but not overwhelmed – in his or her role?

## **CUSTOMER HAPPINESS**

### Higher Purpose

- Is our brand affiliated with a higher purpose (over and above profit)?
- Are customers able to be a part of this higher purpose?

### Autonomy

- Do our products and services give the consumer sufficient autonomy to make decisions?
- Are tools in place to allow consumers to customize their experiences?

### People

- Do you have an effective way to communicate with customers and allow them to communicate with other customers?
- Is there an avenue for two-way dialogue with customers?

### Impact

- Do consumers want to spend time with our brand?
- Do we demonstrate we have competent products and services?
- Do customers feel the company is moving forward and that they are part of this momentum?
- Do customers feel the company is continually improving toward its goal of excellence?
- Do our products and services build up the consumers' own confidence?
- Do customers feel valued?

## **Appendix 1**

### **Happiness: A Measurement Primer**

#### **How the Definition of Happiness Has Evolved over Time**

For as long as philosophers have been discussing happiness, its definition and measurement have been debated. One of the earliest thinkers on the subject of happiness, the pre-Socratic philosopher Democritus, maintained that the happy life was enjoyable, not because of what the happy person possessed, but because of the way the happy person reacted to his/her life circumstances (Tatarkiewicz, 1976). Incorporated in Democritus's definition of happiness were ideas about disposition, pleasure, satisfaction, and subjectivity. However, this view was buried for centuries as Socrates, Plato, and Aristotle championed the eudemonia definition of happiness in which happiness consisted of possessing the greatest goods available (Tatarkiewicz, 1976).

Although there was little agreement among classical thinkers as to what the highest goods were, for Aristotle, they involved realizing one's fullest potential (Waterman, 1990). Most important, this view defined happiness according to objective standards, and pleasure was not considered central to this definition. In contrast, Aristippus advanced an extreme form of hedonism, the unrestrained pursuit of immediate pleasure and enjoyment (Tatarkiewicz, 1976). Happiness, for hedonists, was simply the sum of many pleasurable moments. This form of hedonism, of course being undesirable and impractical, led to a more moderate form of hedonism when the Epicureans sought to maximize pleasures, but with some degree of prudence. Stoics, on the other hand, sought to minimize pains. Jeremy Bentham's term "utility," also with its roots in hedonism, later widened the meaning of pleasure to include "benefits, advantages, profits, good or happiness . . . [and the absence of] failure, suffering, misfortune or unhappiness" (Tatarkiewicz, 1976, p. 322). Happiness, for utilitarians, was thus equated with both the presence of pleasure and absence of pain.

Borrowing from Bentham, modern economists believe that people make choices designed to maximize utility. Because of the multiplicity of meanings that happiness holds, researchers in this field often avoid the term. However, the term happiness has such currency in public discourse that it is often difficult to dodge. Some researchers prefer to use the term "subjective well-being" (SWB), although happiness is sometimes used synonymously with SWB as well. Echoing the beliefs of Democritus, the term subjective well-being emphasizes an individual's own assessment of his or her own life – not the judgment of "experts" – and includes satisfaction (both in general and satisfaction with specific domains), pleasant affect, and low negative affect.

#### **Definitions of Happiness**

- Happiness is then the degree to which an individual judges the overall quality of his life-as-a-whole favorably.... One cannot say whether a person is happy or not if he is intellectually unable to construct an overall judgment.... Thus defined, happiness appears as an attitude towards one's own life. Veenhoven (1984: pp. 22-24)

- Happiness comprises three main components: the frequency and degree of positive affect or joy; the average level of satisfaction over a period; and the absence of negative feelings, such as depression and anxiety. Argyle and Crossland (1987)
- Surplus of pleasure over pain; the two terms being used, with equally comprehensive meanings, to include respectively all kinds of agreeable and disagreeable feelings. (Sidgwick, 1981 edition, pp. 120-121)
- Subjective well-being is related to personal goals, life expectations and the means to attain them. Mullis (1990)
- Happiness as three points of views: Hedonism, life satisfaction, and affective state theory. Hedonism as the individual’s ability to find mostly pleasure in life as a whole experience; life satisfaction as a personal attitude toward life in which positive attitude of the total experience of life creates more happiness; and affective state of happiness in relation to the individual’s overall emotional state. Hayborn (2003)
- “Subjective well-being” as a combination of life satisfaction and having more positive emotions than negative emotions. Ed Diener
- Happiness as having three parts: pleasure, engagement, and meaning. Pleasure is the “feel good” part of happiness. Engagement refers to living a “good life” of work, family, friends, and hobbies. Meaning refers to using our strengths to contribute to a larger purpose. Seligman says that all three are important, but that of the three, engagement and meaning make the most difference to living a happy life. Martin Seligman

**Happiness Measures and Scales<sup>3</sup>**

**Subjective Happiness Scale (Lyubomirsky & Lepper, 1999)**

For each of the following statements and/or questions, please circle the point on the scale that you feel is most appropriate in describing you.

1. In general, I consider myself:

1	2	3	4	5	6	7
Not a very happy person					A very happy person	

2. Compared to most of my peers, I consider myself:

1	2	3	4	5	6	7
Less happy				More happy		

<sup>3</sup> Note: can usually modify these measures to measure global happiness/well-being or momentary.



- 1) In most ways my life is close to my ideal.
- 2) The conditions of my life are excellent.
- 3) I am satisfied with my life.
- 4) If I could live my life over, I would change almost nothing.
- 5) So far I have gotten the important things I want in life.

**Scoring:**

- 31-35 Extremely satisfied
- 26-30 Satisfied
- 21-25 Slightly satisfied
- 20 Neutral
- 15-19 Slightly dissatisfied
- 10-14 Dissatisfied
- 5-9 Extremely dissatisfied

**Positive Activation and Negative Activation Scale (Watson et al., 1988; Barrett & Russell, 1998)**

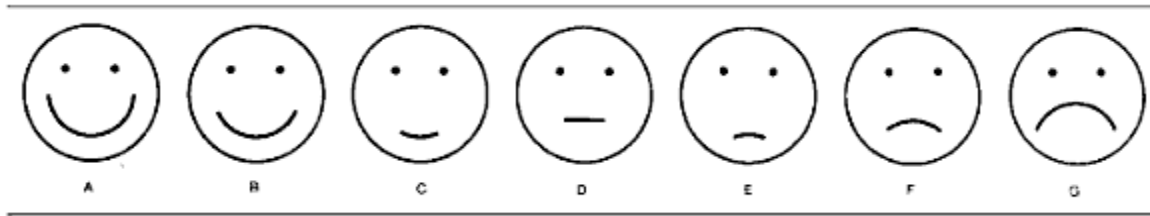
Read each item and then mark the appropriate answer in the space next to that word. Indicate to what extent you have been feeling this way during the past two weeks. Use the following scale to record your answers.

1	2	3	4	5
very slightly or not at all	a little	moderately	quite a bit	extremely
___ interested		___ irritable		___ content
___ distressed		___ drowsy		___ happy
___ excited		___ ashamed		___ calm
___ upset		___ inspired		___ serene
___ strong		___ nervous		___ relaxed
___ guilty		___ determined		___ at rest
___ scared		___ attentive		___ at ease
___ hostile		___ jittery		___ miserable
___ enthusiastic		___ active		___ troubled
___ proud		___ afraid		___ dull
___ pleased		___ bored		___ unhappy
___ tired		___ droopy		___ sluggish

**The Faces Scale (Andrews & Withey, 1976)**

Here are some faces expressing various feelings. Which face comes closest to expressing how you feel \_\_\_\_\_? (e.g., right now).





**The Oxford Happiness Questionnaire (Hills & Argyle, 2001)**

INSTRUCTIONS: Below are a number of statements about happiness. Would you please indicate how much you agree or disagree with each by entering a number alongside it according to the following code:

1=strongly disagree; 2=moderately disagree; 3=slightly disagree; 4=slightly agree; 5=moderately agree; 6=strongly agree.

You will need to read the statements carefully because some are phrased positively and others negatively. Don't take too long over individual questions; there are no 'right' or 'wrong' answers and no trick questions. The first answer that comes into your head is probably the right one for you. If you find some of the questions difficult, please give the answer that is true for you in general or for most of the time.

1. I don't feel particularly pleased with the way I am ( ) . . . . .
2. I am intensely interested in other people . . . . .
3. I feel that life is very rewarding . . . . .
4. I have very warm feelings towards almost everyone . . . . .
5. I rarely wake up feeling rested ( ) . . . . .
6. I am not particularly optimistic about the future ( ) . . . . .
7. I find most things amusing . . . . .
8. I am always committed and involved . . . . .
9. Life is good . . . . .
10. I do not think that the world is a good place ( ) . . . . .
11. I laugh a lot . . . . .
- 12y. I am well satisfied about everything in my life . . . . .
- 13y. I don't think I look attractive ( ) . . . . .
14. There is a gap between what I would like to do and what I have done ( ) . . . . .
15. I am very happy . . . . .
- 16y. I find beauty in some things . . . . .
17. I always have a cheerful effect on others . . . . .
- 18y. I can fit in everything I want to . . . . .
19. I feel that I am not especially in control of my life ( ) . . . . .
20. I feel able to take anything on . . . . .
- 21y. I feel fully mentally alert . . . . .
22. I often experience joy and elation . . . . .
23. I do not find it easy to make decisions ( ) . . . . .

- 24. I do not have a particular sense of meaning and purpose in my life ( ) . . . . .
- 25. I feel I have a great deal of energy . . . . .
- 26. I usually have a good influence on events . . . . .
- 27. I do not have fun with other people ( ) . . . . .
- 28. I don't feel particularly healthy ( ) . . . . .
- 29y. I do not have particularly happy memories of the past ( ) . . . . .

Notes: Items marked ( ) should be scored in reverse. Y Indicates components of the OHQ short scale. The sum of the item scores is an overall measure of happiness, with high scores indicating greater happiness.

**Scoring:**

Step 1. Add the numbers for all 29 questions.

Step 2. Divide by 29.

1-2 : Not happy.

2-3 : Somewhat unhappy.

3-4 : Not particularly happy or unhappy.

4 : Somewhat happy or moderately happy. Satisfied. This is what the average person scores.

4-5 : Rather happy; pretty happy.

5-6 : Very happy.

6 : Too happy. Yes, you read that right. Recent research seems to show that there's an optimal level of happiness for things like doing well at work or school, or for being healthy, and that being "too happy" may be associated with lower levels of such things.

**Possible Happiness Metrics in Business**

**Ask employees/customers "How happy are you?"** Measure the level of happiness of the employee. There are varied ways of obtaining the information, such as a simple survey sent out weekly or having an employee press a button located at the entrance to indicate if he/she is happy or sad when coming to work every day.

**Retention Levels:** Annually monitor the retention rates of employees, and compare to previous years and benchmark against similar companies. The logic behind this is fairly intuitive, that people are more likely to stay with a company if they are happy in it.

**Absenteeism Levels:** Measure how many days cumulatively employees missed work during the year. Compare this to previous years and benchmark against similar companies. A low number of missed hours mean that employees are engaged in work and likely to be satisfied by it, and therefore happy. *There is research which shows that attendance in school and at work are higher if people are happy.*<sup>4</sup>

**Ask "How meaningful do you find work?"** Send a survey to measure the level that employees believe their job is meaningful. Are they contributing to important decisions? Do they feel they

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are an important member in the organization? Studies have shown that working for a perceived substantial purpose leads to meaning and happiness.

**Time spent with family and friends:** Create a timesheet to track the time employees spend with their family and friends, and even doing volunteer work. These activities seem to be a source of happiness for individuals, so a high level of time spent with family and friends should mean people are happy.

**Strength and quantity of social connections at work:** Through surveys or other means measure the number and strength of social connections employees have with coworkers. Normally people are happier when they socialize, so a large number of social connections would lead us to assume that the employee is happy.

**Measure # of laughs/smiles per day:** Measure the number of times that employees smile or laugh through a daily survey where people indicate if they did or did not smile and/or laugh plus the number of times. Laughter is an expression of joy that is reflective of the level of happiness of the individual. The problem with this approach is that it depends on self reporting and has the usual issues such as objectivity.

**Track expressions and comments about product/service in social network/blogs:** Using newly developed tools, track both positive and negative comments and expressions made about company and/or product/service in social networks (Facebook, Twitter). This allows a company to aggregate data that eventually will help determine if the customer is happy with company and/or product/service.

**Ask customers “How likely would you be to recommend product/service to others?”** As a concrete and action oriented question, it should be easy to answer

**Picture during buying process:** Take a photo of the customer’s face during the shopping process. Use facial recognition software to determine if customer was happy during this event. The accumulated data will provide evidence about whether the product/service produces happiness in the customer.

## Appendix 2

### The Upside of Negative Emotions

#### Introduction

Conventional wisdom and much of American popular culture supports the notion that positive emotions are always desired over pessimistic, negative emotions and that we should do everything we can to promote optimism. However, an emerging body of research on the upside of negative emotions suggests there may be an overemphasis on the merits of positive emotions and an underemphasis on the merits of negative emotions.

In general, negative emotions help draw attention to important problems in our environment that impact our well-being. We strive to fix or ameliorate these problems by allocating attention and cognitive resources to them (Andrews et al., 2007). Negative emotions have also been found to have a capacity to alter the coordination and motivation of group members that lead to performance gains in idea generation groups (Jones et al., 2009). In some cases (such as watching a sports game), the greatest enjoyment can come only with a strong dollop of fear and maybe even near-despair (Silvia Knobloch-Westerwick, 2008).

Here we attempt to outline how negative emotions, when expressed moderately, can be healthy and can elicit positive outcomes for those experiencing such emotions. We focus specifically on sadness/depressed affect, anger, fear/anxiety, and jealousy, presenting research supporting the notion that there is an upside to expressing these negative emotions.

#### Depressed Affect or Sadness

*Can be adaptive and help bring focused, analytical thinking that provides a way out of depression*

Depressed affect or depression refers to a single continuum that varies from transient sadness to chronic, severe clinical depression. It is an emotion characterized by sustained negative affect and low arousal (Andrews et al., 2007).

- People suffering from depression have a tendency to ruminate on important problems or events in their lives (Lyubomirsky et al., 1999). This behavior enables analytical thinking, where a complex problem is divided into smaller, more manageable components. These include analysis of how a person got into a depressed state to begin with, having eureka moments, and using working memory to hold information in an active state. In one study, people who felt depressed before tackling challenging math problems tended to score higher than happier test-takers (Andrews et al., 2007).
- Depression can affect attention levels, bringing focus over a sustained period of time, which is often helpful in getting to a better place.
- Depression can be adaptive. Many depressed people seek isolation, keeping themselves from deriving pleasure from sex, social eating, or life itself. Such behavior could foster the kind of focused and deliberative thinking that might solve the problem that triggered the depression in the first place. A study found that when people suffering from depression engaged in expressive writing, which forced them to focus on their troubles, their depression tended to lift sooner than otherwise (Gortner et al., 2006).

## Anger

*Can be empowering, healthy and helpful in decision making when used constructively*

When the expression of anger affirms and acknowledges a person's integrity and boundary without threatening or violating another's integrity or appropriate boundary, it is referred to as constructive anger (Gorkin, 1986). For years now, researchers have pointed to why constructive anger can be a good thing:

- Anger can be **re-empowering**, as its expression can give us the feeling that we can get our wishes met exactly when and how we want them met (Kellerman, 2009). Anger has spurred an entire culture to change for the better, as witnessed by the civil rights movement of the 1960s and the earlier women's suffrage movement (Tavris, 1989).
- Anger is designed to be **protective** – of us, our relationships and our way of seeing the world. In the everlasting battle between right and wrong, the bodily effects of anger are meant to tell us that something is wrong (Edmonds, 2011).
- Anger can be **illuminating**, in particular helping to identify both faults and strengths in interpersonal relationships. It is an alerting function, leading to deeper understanding of an angry person and the problem. If the anger is justified and the response appropriate, the misunderstanding can get corrected (Weber, 2004).
- Anger when internalized can cause depression, health problems and communication difficulties. But anger when expressed can be **healthy**, both physically and psychologically. For many women, constant suppressed anger has been found to be a stronger risk factor for early mortality than smoking (Julius, 1986) A study of Americans' emotional responses to the 9/11 terrorist attacks two months after they happened found that people who reacted with anger were more optimistic about risk and more likely to favor an aggressive response to terrorism than fearful people (Lerner et al., 2003).
- Anger can be used for **status, power, control and strategic purposes**. Angry people have a stronger sense of control and certainty than fearful people. People grant more status to politicians and to colleagues who express anger than to those who express sadness or guilt (Tiedens, 2001).
- Anger can enable **better decision making**, as people base their decisions on the cues that really matter rather than things that can be called irrelevant or a distraction. The feeling of anger can allow people to better discriminate between strong and weak arguments and anger can transform even those people who are, by disposition, not very analytical into more careful thinkers. It helps people focus on the cues that matter most to making a rational decision and ignore cues that are irrelevant to the task of decision making (Moons, 2007). Angry individuals approach situations with confidence, a sense of control, and negative thoughts about others. In negotiation, these tendencies can trigger overconfidence, unrealistic optimism, and aggression, yet they buffer decision makers from indecision, risk aversion, and over analysis (Lerner et al., 2010).

## Fear/Anxiety

*Can be healthy when one fears the right things, understands and can control and use the fear*

Fear is an unpleasant and often strong emotion caused by the anticipation or awareness of danger. Healthy fear, or fear which has a protective function, has many benefits.

- Fear **prepares us for threats and is needed for survival**. It produces a gut-response that helps us anticipate and respond more quickly to a genuine threat. Whenever we are in unfamiliar territory, fear crops up and alerts us to pay attention. Without the fear-flight response – the instinctual urges to cower or run in the face of danger – our species would have been hunted into extinction long ago.
- Fear can signal **what is most important to us**. An easy way to figure whether something is genuinely important to us is to notice how much fear we have about it. The more important it is to us, the bigger the fear will probably be.
- Fear holds **creative tension**: When there's an unresolved gap between where we are and where we want to be, a tension develops. The bigger the gap, the greater the tension, and fear is experienced. Creative tension motivates our unconscious mind to continue searching for a resolution. Even while we go on with our other tasks or go to sleep at night, those epiphanies where the idea seems to pop into our head out of nowhere, are the result of that search.
- Fear, like anger, can lead to **better decisions**. Primitive fear instincts are as important for self-control as the higher power to override instincts. We need our instincts to let us know when something is wrong, an immediate emotional evaluation that is even more powerful than complex reasoning and logic (McGonigal, 2010).
- Fear allows for the practice of **defensive pessimism**, where one sets unrealistically low expectations and devotes considerable energy to mentally playing through or reflecting on all the possible outcomes imaginable for a given situation, a process that results in better preparation for success or failure (Norem et al., 2002).

## Jealousy

*In small doses, serves as an alarm signal that can help ward off rivals, demonstrate love and lead to self-discovery*

Jealousy refers to the thoughts and feelings that arise when an actual or desired relationship is threatened. This is different from envy, which is the thoughts and feelings that arise when our personal qualities, achievements or measurements do not measure up to those of someone relevant to us (Salovey, 1985).

- Jealousy can motivate us to **ward off rivals** with verbal threats and non-verbal cues. It drives us to keep partners from straying with tactics such as escalating vigilance or showering a partner with affection (Buss, 1997).
- Jealousy can also serve as a **hypersensitive alarm signal that something is not right**, allowing us to develop the emotional wisdom to deal with what can be a powerful and painful emotion (Buss, 2000).
- Jealousy enables us to **demonstrate our love for our partner and helps us keep them in line**. It communicates commitment to a partner who may be wavering, serving an important purpose in the maintenance of a loving relationship (Buss, 2000). In fact, a

small dose of it could reignite a stagnating romance. It can be taken as a sign of caring and devotion.

- Finally, jealousy allows us to **learn important things about ourselves** by asking some crucial questions. For example, do we perceive we are lacking in some quality that we would like to develop? Are we experiencing jealousy because, actually, we want something more from our relationship that we are unable to obtain from it, whether passion, intellectual stimulation, or intimacy? What do we think of ourselves and who do we want to be?

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