

Happiness and Catching-up¹

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Traditionally, economic “catching-up” has been judged by how emerging market countries and firms achieve economic growth (e.g. GDP or sales), productivity and innovation. But recently, greater recognition has been given to evaluating the progress of catching up in terms of human’s (e.g. citizens or employees) subjective well-being such as satisfaction and positive emotions (colloquially termed as happiness). Do people have the expectation of a high quality life filled with greater satisfaction, and positive energy and emotion (正能量+正面情绪)? At the country level, national gross happiness has been widely acknowledged as an effective way to evaluate a country’s sustainable development beyond economic wellness. At the firm level, research has shown that the long-term success of a company is significantly related to its happiness. An organization’s happiness benefits productivity by stimulating individual’s creativity and commitment, facilitating the organization’s cooperation capability, and generates a collectivist environment that can lead to more positive inter-organizational interaction and human prosperity. This perspective recognizes that in social systems, such as countries and organizations, people seek a feeling of connection with one another, a need for belonging, and a desire to be cared for and respected.

Over the past decades of growth, China has had significant material success at the national, firm, and individual levels. Yet, a number of important problems have also surfaced. For example, in contrast to China’s amazing economic performance, China ranks low in the national happiness index (number 60 out of 150 ranked countries), coming in at 4.7 out of 10, which is a bit higher than the average of countries in sub-Saharan Africa, but much lower than the world average of 5.28. Although income is typically believed to be positively related to happiness, research² has shown that this positive relationship is only significant for low-income countries. For middle and high-income countries, an alternative indicator---quality of life is seen as a better measure of a country and its citizens’ happiness (including purchasing power, safety, health care, consumer prices, property price to income ratio, commuting time, and pollution). By this measure, China ranks extremely low, despite its strong economic performance and rapid ascent into the middle-income category. For example, according to the data from MUNBEO (<http://www.numbeo.com>), the quality of life index of China’s two major cities Beijing and Shanghai in the past few years is -2.43 and 37.4 respectively, both of which compare poorly with comparable US cities of Washington, D.C. at 156.91 and New York at 118.33.

These low values directly relate to the stress of daily life in China, which stems not only from high levels of work pressure and competition, but also other external factors such as degradation of the natural environment, pollution, less developed health care, repressive education, and lack of trust in key elements of daily life such as safety of the food supply. Accordingly, companies’ are core to increasing the happiness in society through their ability to create positive organizational culture, routines, and the vision to provide a happy environment for all stakeholders. Research has shown that as long as organizations are able to offer positive emotions to their stakeholders (such as employees, suppliers, consumers and communities), they will add more value to the firm in return. For example,³ companies listed in the ‘100 Best Companies to Work For in America’ generated 2.3% to 3.8% higher stock returns per year than their peers from 1984 through 2011. Furthermore, Gallup showed that businesses with higher

¹ English version of: 张颖, 孟睿思。“中国企业的“快乐赶超”之旅。”《中国经济报告》2015年第1期, 58-59

² Offer, A. 2000. *Economic welfare measures and human well-being*. University of Oxford Dissertation Papers in Economic and Social History, No. 34.

³ Edmans, A. 2012. The Link Between Job Satisfaction and Firm Value, With Implications for Corporate Social Responsibility, *Academy of Management Perspectives*, 26(4): 1-19

employee satisfaction have 86% higher customer ratings, 76% more success in lowering turnover, 70% higher productivity, 44% higher profitability, 78% better safety records.

In China, we observe a group of financially high performing companies that have started caring about organizational happiness, such as Dalian Wanda Group, Baidu, Inc., Shanghai Pudong Development Bank, and China Eastern Air Holding Company. They were all given China's best employer award in 2014, and noted as companies that aimed to offer their employees job satisfaction and positive emotion. However by comparing Baidu and American peer Google, one can see that Chinese firms still have room to grow in focusing on happiness. While Baidu has recently outperformed Google in producing earnings and effective use of investment, there is still a large gap between Baidu (low) and Google (high) in productivity, creativity, employees' job satisfaction and sustainable development. Following the research noted above, over the long term, we argue even these Chinese companies that have made some achievements in employee satisfaction can gain even more financially by devoting more resources to firm happiness.

Focusing more directly on happiness is particularly important for globalizing Chinese firms as this allows them to develop greater human capacity and so better adapt to the social and cultural diversity that will be required in the next stage of Chinese firm globalization. Despite significant successes in expansion and globalization, Chinese firms face severe problems in localization and adaption after expanding into overseas markets. “打江山容易，守江山难” has become an issue for many Chinese firms as they globalize. A number of Chinese firms with overseas subsidiaries have faced conflicts with local employees resulting from variation in values, cognition, attitudes, and working approaches. And in China for both Chinese and Western firms, Chinese employees are considered as the “most frequently job-changing” group, though ironically loyalty and commitment (忠) are emphasized in Confucian philosophy. In fact, fast economic development without well-developed human evaluation criteria has caused a deep feeling of insecurity and lack of loyalty among the Chinese people, which negatively affects both Chinese and Western firms doing business in China. As many Chinese firms' global market is not gained by “打”, but by “买”, Chinese firms are less capable of effectively adapting socially and culturally. This mainly derives from Chinese firms relatively low understanding of overseas markets and (potential) stakeholders, as well as weak ownership of advanced technology, and well-known products or brands.

To build a happy and healthy organizational environment (with high stakeholders' satisfaction and positive emotion), a firm, especially one with a globalization orientation, needs to be especially attentive to the impact of cultural factors in implementation. Mr. Liu Chuanzhi (the founder of Lenovo) commented at the Boao Forum 2014 that “*the biggest problem for China's business to go overseas is culture adaptation, which means how to make people from different countries work together*”. For instance, encouraging self-esteem to raise the level of satisfaction in individualistic societies such as most of Western countries most probably not work in collectivist societies such as in Asia. Lenovo's solution to offer a happy environment shows that besides work identification, high-quality human connections are vital. Research⁴ has shown that high quality connections builds trust and helps identify each individual's talent to create his/her work identity, help people open up and grasp their own and others' points of view, enhance attentional capacities for detecting organizational signals and develop perceptions of being comfortable to speak up without excessive concern about interpersonal consequences.

Like cultivating a plant, a care giving (compassionate) culture is increasingly required of companies that are aiming to break into international markets. Such a culture can lead to collectivist behavior, by which the well-being of the group takes precedence over personal interests, and this leads to increased levels of cooperation, which can help break down culture gaps and barriers. Overtime, it can adjust corporate culture into a free, encouraging and enjoyable communication atmosphere. One strategy that has been shown to be effective in building such

⁴ Carmeli, A., D. Brueller, and J.E. Dutton. 2009. Learning Behaviours in the Workplace: The Role of High-quality Interpersonal Relationships and Psychological Safety. *Systems Research and Behavioral Science*, 26: 81-98.

an organization is “job crafting” whereby workers themselves participate in designing their own work such that their individual work patterns are aligned with organizational objectives. Such a strategy has been shown to increase psychological meaningfulness of work, providing a net positive for the organization.⁵ As organizations expand globally, such strategies become even more important, as they will help international employees draw on their own cultures and work expectations to design work while at the same time connecting to the parent companies goals and values.

China and Chinese firms’ globalization and catching up will no doubt continue at a fast pace, however, will also continue to face many challenges. Particularly for Chinese firms with global ambitions, a key strategy to steadily and healthily develop the human capability to better socially and culturally integrate into international markets is creating a happy organization with positive emotions and stakeholder satisfaction. This includes putting stakeholders’ interests as the priority, encouraging high-quality human connections, offering a caregiving culture, respecting people’s work identity, and sometimes implementing job crafting to cultivate organizations’ capability and human prosperity. It is important to emphasize as well that this does not mean we are not positive about China and Chinese firms’ catching up and future globalization prospects. In contrast, we are quite optimistic about China and Chinese firms’ capability in the next stage. These challenges are not only the challenges for China, but actually mirror the whole world’s challenges in this new global era. But in China, because the growth pace is so fast these issues are magnified. Across the globe, developing a greater density of high quality connections between countries, firms, individuals to understand each other, help each other, and learn from each other should be ultimately our goal.

⁵ Hackman & Oldham, 1980, Wrzesniewski and Dutton. 2001