

> **Abstract CRM Newsletter |**
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Happiness Research

How it affects politics and business –
a change of paradigm

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The concept of happiness is currently widely and seriously discussed in the media and in the public. Following an internal management training at Rödl & Partner, we are pleased to present to you an essay by Professor Ruckriegel. In this article, he investigates the current status of happiness research as well as offering impulses for (re-)thinking in politics and business. This paper summarizes the main thoughts from his essay.

1 Findings from Happiness Research

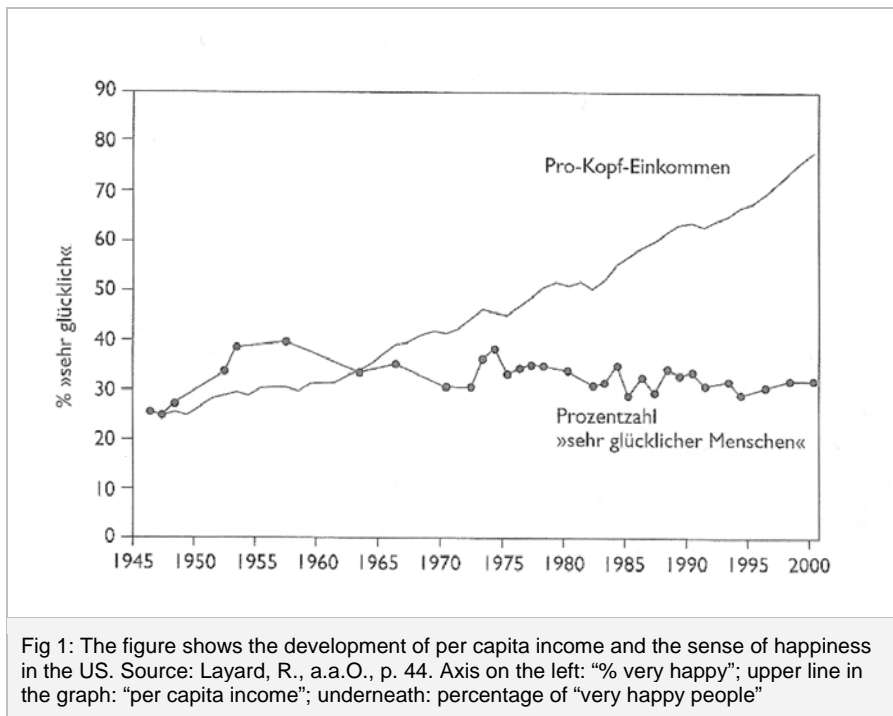
In economic policy, happiness does not play a considerable role yet. Instead, the focus is still on economic growth.

The essential question we need to ask, however, is why economic growth ought to be defined as the objective of economic policy when findings from happiness research imply that growth alone is not necessarily the key to happiness. This fact should at least encourage us to look at the issue in a more differentiated way.

1.1 What is Happiness – and Why Money Alone Will not Make Us Happy

Happiness research is based on the concept that human beings strive for happiness, and that their principal aim is happiness, or satisfaction, which reaches far beyond income. The right to pursue happiness is also part of the US constitution.

Although the past 50 years have seen an unequalled economic growth in Western countries, studies on happiness show that the evolution of life satisfaction (and the sense of being happy) over this period do not match that growth. The figure below shows findings for the US; however, according to Layard, they can be transferred to most European countries and Japan, based on a shorter research period:



1.2 Factors Contributing to Happiness

Happiness research has identified seven factors contributing to happiness:

- family relationships
- financial situation (income)
- job satisfaction
- social environment
- health
- personal freedom
- life philosophy (religion)

2 Consequences for Politics¹

Some of the consequences happiness research suggests for politics will substantially differ from neoclassic economics.

- (Further) developing methods of measuring well being and happiness
- Encouraging people to spend time in a way that contributes to a higher extent to their happiness. People tend to work too much as they overestimate the influence of income on satisfaction.
- Fostering the civil community and participation in social life. Happiness research suggests that it would be beneficial to focus on socialising with friends and family as well as reducing mobility, as it results in the loss of social contacts.
- Reducing unemployment, as unemployment has a highly detrimental effect on the affected individual as well as society in general.
- Reducing advertising that focuses on materialistic values.
- Fostering holistic health concepts, in particular when dealing with mental health disorders.

3 Consequences for Business: Happiness as a Factor of Success²

The philosophy is simple: When the staff is happy, the boss tends to be happy, too. Ultimately, only happy people will be committed and motivated. In order to use those resources, it is essential to meet staff with respect and consideration, and to allow for trust and competence. As human beings derive a great deal of their happiness from family life, family-friendly measures should be a major issue for businesses.

The link between employee satisfaction, customer satisfaction and profit is impressively underlined by the Sears employee-customer-profit chain (1998): It shows that an attractive place to work is also an attractive place for customers to shop, and ultimately an attractive place to invest.

The number of companies using the findings of happiness research is steadily increasing (e.g. AOK, German Rail and DaimlerChrysler).

¹ See Deutsche Bank Research, BIP allein macht nicht glücklich, 4 Oktober 2006, p. 9.

² See Löwer, C., Erfolgsfaktor Glück, in: SZ, 18 November 2006

4 Literature

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