

02.04.2015 12:37



Happiness and Catching-up

Companies aiming to break into international markets are increasingly forced to develop care-giving, compassionate cultures their employees accept

By Zhang Ying and Christopher Marquis

Traditionally, economic "catching-up" has been judged by how emerging market countries and firms achieve economic growth like GDP or sales, productivity and innovation. But recently, greater recognition has been given to evaluating the progress of catching up in terms of people's subjective well-being such as satisfaction and positive emotions. Do people have the expectation of a high quality life filled with greater satisfaction, and positive energy and emotion? At the country level, national gross happiness has been widely acknowledged as an effective way to evaluate sustainable development beyond economic wellness. At the firm level, research has shown that the long-term success 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 the country's amazing economic performance, it ranks low in the Happy Planet Index – No. 60 out of 150 ranked countries. One component of the index, which intended to measure a person's well-being, was 4.7 out of 10. It 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, 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, over the last few years, the Numbeo quality of life index for Beijing and Shanghai in the past few years is -2.43 and 37.4 respectively, both of which compare poorly with the U.S. cities of Washington (156.91) and New York (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. 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, research in the Academy of Management Perspectives has shown that companies listed in the 100 Best Companies to Work For in America generated 2.3 percent to 3.8 percent higher stock returns per year than their peers from 1984 through 2011. Furthermore, Gallup showed that businesses with higher employee satisfaction have 86 percent higher customer ratings, 76 percent more success in lowering turnover, 70 percent higher productivity, 44 percent higher profitability and 78 percent 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 Co. They were all given China's best employer award in 2014, and noted as firms that aimed to offer their employees job satisfaction and positive emotion. However, by

SHARE:

RELATED POSTS

Achieving China's Next Stage of 'Catching-up'

Straight to your inbox.

THE DAILY FEED

CAIXIN NEWSLETTER

FREE SUBSCRIPTION

读专业新闻
听地道英语

WeChat ID: caixinenglish

LATEST STORIES

- WeChat 'Glitch' Allows Family to Raise over 2 Million Yuan in 80 Minutes
- China's VAT Rebate Reform Aims to Boost Local Government Fiscal Strength
- Share Splits Raise Stock Market Suspicions
- China Faces Severe Coal Transport Capacity Shortage
- Audi Scraps Plans for New China Dealer Network
- Regions Found to Have 'Critical' Heavy Metal Emissions Now Clean Up Act
- Official PMI Spikes as Producer Prices Rise, Exports Surge
- China Adds 10% Consumption Tax for Superluxury Cars
- News Calendar, December 5-11
- Caixin's Manufacturing Indicator Dips to 50.9 in November

FULL LIST +

Sign up to receive our free daily newsletter

POPULAR STORIES

MOST READ

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 and Google in productivity, creativity, employees' job satisfaction and sustainable development. 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 because 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 firms' globalization. Despite significant successes in expansion and globalization, Chinese firms face severe problems in localization and adaptation after expanding into overseas markets. A number of companies 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 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 hurts both Chinese and Western firms doing business in the country. Many 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 stakeholder 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. Liu Chuanzhi, the founder of Lenovo, said 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 Western countries, probably will 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. High quality connections build trust and help 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. Over time, 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 an organization is "job crafting," whereby workers 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. 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, but they 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 pessimistic about China and Chinese firms' catching up and future globalization prospects. In contrast, we are quite optimistic about their capability in the next stage. These challenges are not only the challenges for the country, but actually mirror the 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 and individuals to understand each other, help each other and learn from each other should be ultimately our goal.

Zhang Ying is the associate dean for China business and relations at Rotterdam School of Management at Erasmus University and Christopher Marquis is an associate professor in the organizational behavior unit at the Harvard Business School

RELATED POSTS

[Achieving China's Next Stage of 'Catch-up'](#)

COMMENTS (0) [Sign In](#) | [Register](#)

[Hide comments +](#)

POPULAR GALLERIES



Giant Leap into Space



- Finance & Economics
- Business & Industry
- Politics & Law
- Environment & Science
- World
- Culture
- Opinion

Newsletter



- About Caixin
- Work at Caixin
- Contact us
- Conferences

All copyrights for material posted and published on Caixin.com are the property of Caixin Media Company Ltd. or its licensors. Copying, reproducing, republishing, or any other use of Caixin.com content without Caixin's permission is prohibited.