Introduction

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On my first day working for the John Lewis Partnership in the UK, I was told that the supreme purpose of the department store and supermarket group was the happiness of the people who worked within the company. Its eponymous founder had figured out 100 years earlier that if his workers were happy, they would give more, staff turnover would be reduced, sick absence would be lower and customer service would be better. Add this all together, and the business would inevitably do far better than its less enlightened rival retailers. He was right, too. John Lewis's ability to deliver high standards of customer service has been the envy of the retail and even-wider business world. For the main part, the business has enjoyed sustained commercial success through the good times and through changing and challenging macro-economic conditions

including wars, the internet and pandemics. The founder's vision has not stopped the business making poor strategic decisions, and on occasion has strayed from the founding principles to focus on cost-cutting and the bottom line. Whenever this has happened, its market share and profits have fallen. Yet, when the business returned to its underlying principles, growth and commercial outperformance followed.

My introduction to the vital role of happiness sparked a more than forty year interest in this crucial business metric. Was it, I wondered, the key to success? And, if so, why? How can you measure it? Most importantly, how is it possible to create and maintain a happy organization? I realized quite quickly that I was not alone in my curiosity. For centuries, philosophers and thought leaders have been trying to unravel the power of this emotion. Socrates was the first to observe that happiness was attainable through human effort. He said there were two types of happiness. The first is the positive feeling we get from winning, or acquiring, something. The second is derived from altruism and the knowledge we've done the right thing, or done something well. This second benefit has a far more powerful and long-lasting impact than the first, he said. Both he and his fellow Greek philosopher Aristotle argued that all human actions were driven by their desire for happiness, suggesting that we can accomplish this, and that it should be a pursuit in its own right.

In 1968, Bobby Kennedy, when speaking of what made life worthwhile, said: 'We cannot measure national spirit by the Dow Jones average, nor national achievement by the Gross National Product'.[1] And, to build upon this, the

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psychologist Richard Easterlin demonstrated that, after a certain point, increases in national wealth were not matched by increases in happiness.[2] Both statements bring into question the widely held view that as long as we are all paid enough, there's nothing else to worry about. Life will be easier with money, yet without positive emotions it is all a bit worthless.

Fast forward to 2010, when I had risen through the ranks at John Lewis to become Managing Director of Waitrose and then also Deputy Chairman of the Partnership. I was working in my corner office on the fifth floor of the supermarket's HQ in Bracknell when my PA, Zoe, rang through to say she had No 10 Downing Street on the phone and would I take the call. It turned out to be one of Prime Minister David Cameron's aides. She was keen to know if I'd be willing to join a group the PM was pulling together to look into measuring national happiness in the UK. This would be an entirely new assessment which would take its place alongside the more traditional measures such as economic performance through GDP. The then Prime Minister had first mooted the idea of a 'happiness index' in 2005, when he was in the running for the leadership of the Conservative Party. Now, though, in the aftermath of one of the worst financial crises in a generation, he wanted to base his government's next steps on measures built on what mattered most to people.

He said at the time: 'The country would be better off if we thought about wellbeing as well as economic growth', adding that the measure could eventually 'lead to government policy that is more focused not just on the bottom line, but on all those things that make life worthwhile.'[3]

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Having by then spent three decades with the John Lewis Partnership, working in both John Lewis and Waitrose and experiencing first hand the impact of the organization's supreme purpose where the happiness of employees was paramount, I felt well equipped to accept. I felt strongly that the notion of measuring national happiness was an important first step in spreading the word about the potentially huge uplift to be had by just thinking about the world in a different way.

Why did we fall out of love with happiness?

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As everyone now knows, David Cameron's initiative was widely derided. The media called it woolly and impractical, while trades unions were convinced it was an electioneering tactic to somehow claim that the people of the UK were happier under Tory rule. The idea of a Happiness Index was quietly dropped when the administration changed.

What happened next is profoundly depressing. Following the media attacks, the mere word 'happiness' was apparently assumed to be so toxic that many organizations shied away from even mentioning the word. The corporate world, in particular, saw numerous organizations switch to calling it 'engagement'. Never mind that the phrase is completely opaque. If someone asked you if you were *engaged* in your job, would you have any idea of what they meant? It's hardly surprising that people are confused, not least because engagement has a wide range of interpretations from understanding the overall strategy, to being busy and working hard. It is, however, rare to equate it with positive personal

feelings, unless, I suppose, it is in the context of preparing to marry a loved one.

Little notice was taken of the fact that 'happy' is universally used as a starting point for conversations on performance elsewhere. In sport, for instance, a coach might say to a golfer, 'Were you happy with that putt?' when they missed from 10 foot. A conversation would then follow about misreading the break, over-hitting, missing the centre of the putter face and so on. The question 'Were you happy with your performance?' is used on a daily basis as a starting point for an exchange of views. I can't imagine a waiter would ever ask, 'Were you engaged with your meal?' No, when asked if you were happy, this is an invitation to give specific feedback on why you might not be. The food was too hot, too cold, too chewy, or contained too much salt or pepper. By coincidence, this is the first step in understanding that happiness can be measured. It is not nebulous. Happiness is built on many factors, at home, at play and at work.

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The sad truth is, many commercial organizations viewed happiness with suspicion long before David Cameron announced the initiative. If we wanted to dig into the reason behind the modern distaste for happiness, the Sixties should probably shoulder a lot of the blame. When the hippy movement advocated peace and love, insisting we should all be getting the most from our lives, it was seen as a little bit eccentric, certainly by older generations. Over time, the word 'happy' became polluted because it conjured a vision of laid-back people who had no interest in doing or achieving very much. Happiness came to be seen as the opposite of 'hard graft'. This negative association made it easier for a capitalist idea to take hold where

it became acceptable for people to be seen as assets to be used by employers. They were paid to do their job, so it was a fair exchange, right? There's no need to talk about all that touchy-feely, fluffy happiness stuff.

Modern business has thus had a free rein to evolve to a place where, in its need to put shareholders first, those at the top of organizations see it as their responsibility to find the fastest route to maximize short-term increases in profits. I've seen organizations once famed for customer service decide to improve the bottom line by outsourcing their customer service departments elsewhere where labour is cheaper. There is a misguided belief this won't impact the customer experience at all and no one will notice. It does, and they do. It is a race to the bottom that ultimately fails. Yet, when it comes to profit, the belief endures that everything is up for grabs, as long as it is won via open and free competition without deception or fraud (in most cases). At a push, *at a push*, customer experience gets a look in as a useful metric, as it is now accepted that this is key to the longevity of any business. Disruptive organizations such as Amazon, (mission: We seek to be Earth's most customer-centric company) have championed the idea that the customer is the most important person in the room. Many other businesses have followed this lead. But employee happiness? Until not that long ago, that's only been the number one consideration for a small number of companies. These businesses, such as John Lewis, Zappos, Innocent Drinks and, to his great credit, Richard Branson and his Virgin businesses, believe employees are the true custodians of the brand and drivers of customer loyalty,

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which leads on to better financial performance. These were, however, until recently the exception.

We are now, at long last, seeing more businesses beginning to tentatively embrace the opportunities of employee happiness, signalling a shift away from the idea it is a bit of a 'nice-to-have', soft measure. Said Business School partnered with telecoms firm BT, for example, to rate employee happiness for six months using an email survey with five emoji buttons to indicate states of happiness.[4] (The results were pretty staggering too. Workers were 20 per cent more productive in weeks when they were happy, versus when they were not). That said, some early efforts to decode this happiness thing have been a little clumsy. We've seen a shift in the ubiquitous measure of 'engagement' towards 'wellbeing'. Happiness appears to have taken a place as a subset of wellbeing, albeit there is a growing recognition and acceptance that happiness does have an impact. This is, at least, a step in the right direction, and not a moment too soon either.

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Workplace happiness is today more important than ever

In the 1942 film *In Which We Serve,* Noel Coward, who played Captain E V Kinross, opined, 'A happy ship is an efficient ship and an efficient ship is a happy ship. Invest in your crew – there are rough seas ahead.' That statement is particularly pertinent right now.

Globally, growth is an issue. The economic recovery from the pandemic has been slow and not helped by conflicts in Ukraine and Israel, supply chain disruptions

and labour market pressures. Central banks across the world have been simultaneously hiking interest rates in response to soaring inflation. Emerging markets and developing countries have been dogged by a string of financial crises.

When there are issues with growth, it is a rare organization indeed that doesn't start questioning whether it is getting the most from its workforce. The first recourse from many company bosses, however, is to view the challenge from an exploitative standpoint around cutting costs. They ask themselves, 'Where can I find cheap labour?', 'Can I offshore this part of the business to India where it will be cheaper?', or 'Should we get our goods made in Turkey, and save 10 per cent?' What they're least likely to be thinking about is, 'Is our workforce happy?' (And can we help make them happier?) Are they committed? Are they engaged? Are they giving their best? Do my employees give more than my competitors' employees? But this is where the real competitive advantage lies. Those cost-cutting trade-offs, shifting the base of operations to far flung reaches of the world, are not solving the issue. (Not to mention the questionability of the practice that is not a million miles away from the colonial days of exploitation of developing countries.) By shifting operations further afield, companies might reap the benefits for ten years or so, but they will then need to find another new solution. We're already seeing that the benefits of switching manufacturing to China or Vietnam are not as lucrative as they once were. Prices there are significantly higher than they were 20 years ago, and shipping costs are rising at a prohibitive rate, too. Ultimately, at some point, we will run

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out of cheaper alternatives abroad. Rather than looking to arbitrage labour costs around the world, everybody's going to have to retrench within their domestic market and think about getting more from their people. Forward thinking businesses should already be getting ahead of this trend and thinking about how to make their people feel happier, better trained, better informed and better looked after.

There is a greater urgency in some countries than others, and the UK would very much fit into the 'urgent' bracket. Growth in the UK has been static for ten years. We also have an acute productivity problem that a succession of prime ministers have tried and failed to address. The normal response has been built around putting in more investment and better infrastructure. Here's the thing, though: no one (apart from David Cameron) has thought about happiness as the solution. In my view, it is no coincidence that there has been no recorded improvement in employee happiness during the period that growth and productivity have flatlined. In fact, it has probably gone the other way. If you look at the list of every country in the G7 that Britain is behind in terms of productivity, every single one is ahead of us in terms of the happiness of their employees. We are similarly badly placed when compared to the rest of the G20. We are significantly behind in some instances, too. The UK has a Wellbeing Risk score of 33 per cent compared with the US, which has a score of 26 per cent.[5]

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During my 18 months as a Minister of Trade in 2016/17, I travelled the world and saw first hand what a massive difference a content workforce makes. Take Mexico as a case in point. The UK boasts a markedly better

infrastructure and more sophisticated working environment than Mexico, yet productivity is higher in Mexico. Why? Mexicans are happier at work, according to the global statistics we obtain at WorkL. The culture is more familial and people feel like they are part of something. As a result, they work harder and are more committed.

That last point is perhaps key to the power of happiness in the workplace and why it is such an important metric. A manager's ability to get that extra discretionary effort from their people because they are happy and engaged in their work creates a significant competitive advantage and has a material impact on performance. It makes all the difference between whether somebody is prepared to take a call after hours and go the extra mile to get a project done, or just abandons it without a second thought and goes home.

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When it comes to urgency, there is another very, very important factor as to why we need to focus on the happiness of our workforce: changes in the demographic. By 2030, 30 per cent of the workforce will be Gen Z (born between the mid 1990s and mid 2010s).[6] This generation, whose working lives have been changed by the digital world, the pandemic and shifts in working practices, has a very different view of the world. Older generations might dismiss it as all 'a bit woke', but for Gen Z their beliefs are sacrosanct. They believe passionately in equality and have strong views on how they should be treated, spanning their mental health, wellbeing and work/life balance. This might very well be because they've looked at previous generations and thought: we don't want to be like that. Whatever the reason, though, it is a challenge to attract and retain people from this generation. Surveys conducted by WorkL,

the organization I founded to bring happiness to the workplace, show the lowest engagement scores for young people between 16 and 24. (67.3 per cent for 16–18 age group and 69.2 per cent for 19–24). Happiness is high on the list of priorities for a Gen Zer, though, with 70 per cent saying they would quit their job if they didn't feel happy. Throwing money at the problem won't work, either, with 72 per cent saying that satisfaction and meaning are more important to them than salary.[7] In less than six years, one-third of the workforce will consider happiness a *defining criterion* for accepting a job. If that doesn't make employers sit up and listen, I don't know what will.

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Happiness and fairness will emerge as *the* most important business metric in the years to come, which is obviously long overdue. It will be for the one very good reason: economics. Or Happy Economics, as we call it. The companies that succeed will be those that prioritize the happiness of their team because, guess what, Socrates and Aristotle were right all along. When we feel good, we work harder and feel more disposed to the source of that positive emotion.

This book is a guide for businesses that are serious about driving productivity and improving performance. It shows how to measure happiness and then make a solid plan to improve the happiness score in the workplace.

I will say right away, this is about *employees* not customers. Customer happiness or customer centricity, whatever you want to call it, is of course really important. Every business wants to have happy customers, whether it's a newspaper wanting happy readers, or a chemical company looking for happy stakeholders. There are countless books on the subject (and I have written a few of them myself).

No, what we are laser focused on here is employee happiness. Although, it should be said, happy employees are key to making customers happy.

In this book, I explain how a focus on workplace happiness can drive commercial performance and why it's good for workers, managers, companies and the economy of entire nations. I'll lay out what drives workplace happiness and how it's measurable.

Let me share the magic behind Happy Economics.

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Notes

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