Introduction

The ultimate value proposition

Crises can be healthy and sobering. In the midst of what some now call the "Great Recession," the Harvard Business School graduating class of 2010, fully aware of the dreadful employment possibilities and greatly reduced earning capacities from which perhaps they would never recover, asked professor Clayton Christensen (2010) to address them on how to apply management principles and techniques to their lives. Surprisingly, he focused not on any grand business or management idea, but on happiness and meaning as the measure of one's life. In characteristic business school fashion, he articulated his response in three simple steps.

The first consists in asking oneself, "How can I be happy in my career?" This entails a serious inquiry on the meaning of happiness and on what one's most powerful motivation in work and in life really is. It usually doesn't take long for people to realize that it is not so much about stellar performance, exceptional financial gain, or outstanding business success. Rather, it's more about taking responsibility to help others learn and grow, and reveling in those shared achievements. A very poor and even mistaken idea is to think of management simply as "making money" by "doing deals," buying and selling companies when the opportunity arises. The short-term rewards this provides pales in comparison to the deep and lasting satisfaction that building up people bestows. It seems, then, that happiness has to do more with one's end-goal or purpose in life, than with any immediate business objective.

The second question deals with how family and social relationships, including one's faith, can somehow be transformed into enduring sources of happiness. This step touches on strategy. With the first question, one defines the objective, albeit in broad strokes. Now one engages in a series of investment decisions regarding the

1

different resources at his disposal, such as time, energy, talent, and of course, money. Certainly, resource allocation has to reflect one's set of priorities, with ends taking precedence over means, and higher-order goals over lower-order ones. Christensen (2010) himself speaks of his struggles to maintain coherence in the face of competing demands from his wife, children, church, community, career, company, and so forth. When called upon to take on leadership roles, one needs to rely on "tools of cooperation" which help align goals and interventions among the different participants or members of the organization. These refer to a variety of "instruments of persuasion," from threats of punishment to empathy, which the leader deftly employs depending on the people, times, and places he encounters, in order to build up consensus within the group (Sison 2003). Through reinforcement and repetition, this consensus becomes, in due course, the foundation for an organizational or corporate culture. This describes a distinctive way of doing things which gently nudges people's behavior almost effortlessly toward the desired direction. At the same time, however, Christensen (2010) warns of the temptation of "instant gratification" or the tendency to pursue only what produces immediate results, probably as proof of one's effectiveness and efficiency. For indeed, highly driven people find it difficult to see beyond quarterly objectives – they think, "close the sale now and get the hefty bonus soon after," for instance – while they systematically underinvest in projects that may take years to bear fruit, if ever, such as raising a child properly. The first one gives them a surge and an ego-boost, while the second forces them to face their own limitations and grapple with a part of reality they can't control.

Lastly comes the issue of how to live a life of integrity, or at the very least, how to keep oneself out of jail. After all, among Christensen's classmates at Harvard Business School was Jeffrey Skilling, former Enron CEO, convicted of nineteen counts of conspiracy, securities fraud, insider trading, and lying to auditors, for which he received a 24-year sentence. Christensen (2010) suggests forgetting what one has learned in finance and microeconomics, about basing decisions

on the marginal costs and marginal revenues of alternative lines of action. Telling oneself, "I know this is wrong in general, but in this particular case, the marginal cost of doing it just once seems negligible" could end up justifying the most horrendous acts of dishonesty and unfaithfulness to commitments in the long run. We are definitely not in want of examples for this. People change through their actions, and without them even noticing, they could very easily fall down to the very bottom of the slippery slope. Hence it is best, and actually even easier, to stick to one's guns and uphold the principles one wishes to live by 100 percent of the time, rather than just aiming for 98 percent compliance. In the business of managing one's life, marginal thinking brings ruin, for in the end, one always pays a full cost that one may have never even imagined at first.

Christensen's experience furnishes some compelling reasons on the need for a book on happiness directed mainly, though not exclusively, to business people. For business, just like any other economic activity for that matter, does not take place in a vacuum, nor even in that useful abstraction customarily referred to as the "market." Rather, building up a business actually only makes sense within the context of a life and a dense web of social roles and relations, including one's family, community, professional group, church, school, civil society, country, and so forth. So one first needs to see and, in fact, never lose sight of this wider picture, even before setting the standards with which success, both in business and in life, is to be measured.

Providing goods and services that satisfy society's needs and wants would almost certainly figure in any textbook account of an entrepreneur's function. But why anyone should, in the final analysis, want to take on the risks and challenges it involves, with the enormous amount of work it implies, is something on which all manuals fall silent. A similar thing happens regarding the importance of satisfying people's desires, an issue which most authors simply prefer to take for granted. Is any and every desire equally worth satisfying? Then what are we to do in the face of conflicts and limited resources? In a market-oriented society such as ours, it should be fairly easy to

know what needs and wants are, as well as the specific kinds of products that cater to them. However, why do consumers choose some particular brands or items instead of others? What is it that makes those goods so appealing and likeable? Surely, there ought to be something, too, in consumers' psychological makeup that could, at least partly, explain their preferences and choices. How do these instances of desire and motivation work? What influence do the different demographic and cultural markers exert? Are institutional constraints of any significance?

Underlying the above-mentioned queries is the topic of happiness. Happiness is truly the ultimate business proposition. It is the end-goal of all wants and desires, and the object of all promises. All economic operations and transactions are merely intermediate steps which hopefully will lead in the end to happiness.

Besides the entrepreneur, there's another business type called the "manager." He is the one entrusted with the task of ensuring that production goes on smoothly, in order to deliver the highest returns to the firm's owners and investors, we are often told. But is that all? Should profits be sought single-mindedly, regardless of the welfare of workers, clients or consumers, the environment, and society at large? Probably not. At this stage, almost everyone acknowledges the manager's responsibility for the safety and quality of his company's products, the conditions in which these goods are manufactured, and their overall impact on the planet. There is also a growing consciousness that managerial duties are not directed to the providers of capital alone, but to other stakeholders as well, such as workers, suppliers, consumers, competitors, local communities, government, the environment, and so forth. In fact, "stakeholder happiness enhancement" (Jones and Felps 2013) has even been proposed as an objective for the modern corporation.

Again, implicit in all these considerations is the concern for happiness. Particularly, in the case of workers, a manager would like to know the key factors that contribute to job satisfaction insofar as it is linked to productivity, for instance. Such knowledge could then

serve as a guide in implementing the right policies in recruitment, compensation, training, and governance (Sison 2008). Happiness is what makes people working in a company thrive.

Be it as entrepreneurs or as managers, business people are above all human beings who as such have an inexorable interest in happiness. Our purpose is to guide them in their search, presenting the best results of modern happiness studies, complemented with the enduring intuitions of Aristotelian virtue ethics. Just like Christensen, we'd like to accompany the reader along three main steps. The first lies in discerning what happiness means and how it can be measured (Chapter 1); the second, in designing resource allocation strategies for different contributory factors, such as income, psychological pleasures and satisfactions, work and leisure, and institutions (Chapters 2–6); and finally, the third, in discovering the integrative power of virtue that goes beyond merely "having" and "doing" to "becoming" truly happy (Chapter 7 and the conclusion).

PLAN OF THE BOOK

Here's the book plan at a glance:

Chapter 1 Modern happiness studies and "individual subjective wellbeing": you only get what you measure. This introductory chapter deals with the distinctive features of modern happiness studies and its object, individual subjective wellbeing. Unlike "classical" studies on happiness, this novel approach distinguishes itself in being truly "scientific": that is, empirical and quantitative. The methodological controversies between welfare economists and hedonic psychologists regarding wellbeing and its measurement are discussed, as well as the possible ways of overcoming them through narrative.

Chapter 2 Happiness and income: how much happiness can money buy? This chapter starts off with an exposition of the Easterlin Paradox – "An increase in income does not necessarily entail an increase in individual subjective wellbeing" – set against the dominant neoclassical economic background. It then continues with a

detailed critique, explaining the limits in which income, whether absolute or relative, affects subjective wellbeing of the individual and the group. The field thus opens up to other social sciences, such as sociology and political science, insofar as these employ empirical and quantitative methods. As a point of contrast, references are made to a multidimensional account of poverty and inequality, as well as their consequences for happiness.

Chapter 3 Choice, desire, and pleasure: is happiness getting what you want or wanting what you get? The impact of different consumption models on happiness is presented. Above a fairly low threshold of income, it is no longer how much money one has, but how one spends it that matters. Stories of how scaled-down lifestyles result in greater subjective wellbeing are included. This chapter deals with Scitovsky's observation that the market economy often fails to deliver happiness and wellbeing, despite abundant resources and a wide range of choices. At the root of this failure are certain psychological mechanisms involving choices, desires, and pleasures that are usually ignored. Explanations are offered of how early education within the family and character-building exercises influence the transformation of desires.

Chapter 4 The biotechnology of happiness: not just a "quick fix." Inputs from cutting-edge research in the fields of decision theory, neuroscience, neuroeconomics, and biotechnology, regarding memory and mood, are discussed. The key to properly managing these challenges lies, above all, in education, particularly in appropriate habit-formation.

Chapter 5 Working on happiness. Work is a two-faced Janus that detracts from and contributes to happiness at the same time. We discover how the loss of work exerts a strong downward pressure not only on the happiness of individuals, but also on the other members of society who may even continue working. This may be attributed to two kinds of causes, some psychological or individual, and others, social. We look into how these causes affect people differently, depending on demographic factors such as sex, age, education

and so forth. We also examine the importance of job satisfaction for general wellbeing. Although favorable work conditions are essential to happiness, they are not a substitute for the sense of autonomy, mastery, and purpose that individuals experience while working. In other words, intrinsic motivation outweighs extrinsic motivation in workplace satisfaction. Empirical studies reveal that, while extrinsic motivation may be sufficient for purely mechanical or routine work, this isn't so for creative, intellectual work, which requires intrinsic motivation. Under certain conditions, extrinsic motivation may even expel intrinsic motivation. The links between happiness and leisure, a lot more complex than normally imagined, will similarly be studied. The chapter ends with a description of how inflation affects happiness in a manner not foreseen by neoclassical economics.

Chapter 6 Happiness, politics, and religion: now and at the hour of our death. Despite widespread belief to the contrary, happiness is never achieved by an individual in isolation. Much of it depends on the quality of social institutions which mediate between individuals and their environment. Differences in institutions – the way societies are organized, their rules and customs – account for major variations in levels of happiness. This chapter focuses on how liberal democracies and free market regimes generally boost the wellbeing of citizens, while autocratic or state-controlled governments suppress it. Similarly, adherents of "open market" faiths report higher levels of satisfaction than followers of "monopolistic" creeds. Explanations could often be traced to varying levels of voluntary participation, which are linked to autonomy and an internal locus of control.

Chapter 7 Aristotelian virtue ethics: the forgotten philosophical tradition on happiness. A recap is proffered of the major gains of modern happiness studies in our understanding of individual subjective wellbeing, together with its deficiencies. We detect a lack of integration of what would otherwise be valid inputs from economics, psychology, sociology, political science, and so forth. This signals the need for a philosophical approach widely construed; one that looks into the radical principles or causes of human flourishing. This moves

us to revisit Aristotle's indications of what constitutes happiness (*eudaimonia*) for human beings. We shall integrate data regarding income, pleasure, work, consumption, institutions, and so forth into the different kinds of lifestyles that Aristotle considers in the *Nicomachean Ethics*. Thus, we discover the pre-eminent role assigned to virtue, in its capacity to weave external and material factors into a life conceived as a meaningful whole. This chapter constitutes a defense of virtue in attaining happiness.

Conclusion: learning to be happy. This final chapter revisits the business types of the entrepreneur and the manager. It examines lessons on how modern happiness studies combined with Aristotelian virtue ethics contribute to their flourishing as professionals and human beings.

One last note before reading on. Whoever expects to find in this book a unique, newfangled, and extensive treatment of Aristotle's theory on happiness and the virtues may be in for a disappointment. In fact, such topics are not dealt with in earnest until the penultimate chapter, when the book is about to come to a close. No matter how meritorious such an effort may be, it is not this volume's actual purpose. Rather, the objective it seeks to achieve is far more modest, and consists in calling attention to the gaping hole that exists in modern happiness studies insofar as it neglects or chooses to ignore virtue ethics.

Although most happiness researchers nowadays acknowledge Aristotle's pioneering work and even mention his idea of flourishing or *eudaimonia* in passing, hardly anyone stops to seriously consider the crucial role that virtue plays in attaining it. This is to some extent understandable, given that the majority of these investigators have been trained, after all, either as welfare economists or as experimental psychologists, and not as philosophers. But we believe there is much value to be gained by bringing virtue once again to the discussion table when happiness is at stake, the undeniable gains of empirical and quantitative methods of research notwithstanding. We believe virtue ethics has so much to offer in clarifying, if not in

outrightly solving many of the difficulties that modern happiness studies currently encounters. Only after exploring, to the best of our knowledge, the limits which modern happiness studies has reached, do we then, with a certain degree of confidence, introduce the ways in which we think Aristotelian virtue ethics may amend and complement it. The time has come for Aristotelian virtue ethics to come to the aid of modern happiness studies, so to speak, and to remedy its crippling amnesia. We should all be a lot better off for it.

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1 Modern happiness studies and "individual subjective wellbeing"

You only get what you measure

Seldom is one able to pinpoint the birth of a new branch of knowledge or scientific discipline. But that, precisely, is what occurred in 1974 with "modern happiness studies," as it has come to be known, when Richard Easterlin published his essay "Does economic growth improve the human lot? Some empirical evidence" (Easterlin 1974). This article was Easterlin's contribution to the *Festschrift* in honor of Moses Abramovitz. In his research, Abramovitz had challenged the neoclassical orthodoxy in economics regarding a positive correlation between output, on the one hand, and welfare or wellbeing, on the other. Even before that, however, Arthur Pigou had already set the stage for the discussion. Although Pigou acknowledged that "happiness," understood as social welfare, was a much broader concept than economic welfare, normally measured in terms of "gross national product" (GNP), he nevertheless suggested that both indicators moved in tandem, if not by the same intervals, at least always in the same direction. Abramovitz was probably the first to raise a voice of dissent. He suspected that an increase in output could very well trigger higher expectations among economic agents, thereby cancelling out foreseeable improvements in welfare, but he never managed to confirm the hypothesis. This task was left for Easterlin to carry out.

What exactly was "modern" or new with the discipline that Easterlin had inaugurated? Obviously, it could not have been the topic itself, since happiness, in a broad sense, and our yearning for it, had always been present in the human mind. It had to be, then, the approach or method, at once empirical and quantitative, with which happiness was examined. As a result of this novel, typically scientific

10