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Employee Happiness and Company Performance

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<p>The purpose of this thesis is to research the relation between the happiness of the employees and the performance of the company. The study is purely based on secondary data and its analysis. Several points of view are being researched: positive, negative and no correlation between the happiness of the employee and the performance of the company. Moreover, other factors that might have an impact of both variables were taken into account. The findings showed that the topic is very complex and there was no direct correlation found between the variable, however, it was inevitable that there is a link between them, as some studies even assumed a possibility of indirect correlation. In addition, it was concluded that further and deeper research is required.</p>	
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1 Introduction

The concept of happiness has been investigated by various researchers all over the world for a long time and recently, according to Kovensky (2014) some companies such as Google started hiring people for a position of “Chief Happiness Officer”. Also, some time ago management was considered to be irrelevant, but now more and more companies are implementing different management techniques to improve the quality of work. Nowadays, there is a lot of scepticism towards “happiness at work” and it looks similar to how the concept of management was viewed during the last century as it is quite new, and people are uncertain about the beneficial impact of it.

The purpose of this research is to investigate the importance of happiness of the employees’ in the workplace and its’ effects on the performance of the company. Thus, it was decided to research this topic further using real company examples and already existing qualitative research in order to find out whether the idea of happiness of the employees at work is useful and beneficial for the company’s performance.

Furthermore, according to many researchers such as Duckworth, Steen & Seligman (2005), Fredrickson (1998), Lyubomirsky, King, & Diener (2005), happiness is a vital element of the well-being and healthy life of the human, thus people consider happiness very important part of their lives. This was also concluded by Diener (2000). Thus, another reason for conducting this investigation is to find out whether happiness plays the same vital role in working life and has an impact on the performance of the company.

Moreover, this thesis aims to investigate three different types relations between the happiness of the employee and the productivity of the company. The first implies that there is a positive correlation meaning that the happier the employees are the better is the performance of the company. The second states that there is a negative correlation meaning that the less happy the employees are the better the company performs. Lastly, the third opinion is that there is no correlation and the happiness of the employees does not affect the performance of the company. Also, other factors affecting the happiness of the employee and the performance of the company are discussed.

As there are a lot of definitions for the happiness and the ways to measure it, as well as different people are describing the performance of the company and its success and productivity differently, therefore, as there is a need to specify what those concepts are identified as in this thesis, it was decided to devote a separate section for the definitions and meaning of happiness and performance of the company.

Furthermore, the issue is based on the assumption that happiness at work is vital for a company's success, as it is a logical conclusion at the first glance due to the Halo effect, which according to Thorndike (1920) is a distortion of perception that occurs when one is being attributed to all the positive characteristics based on only one positive trait. Moreover, many employers decide to ignore the happiness and well-being of their employees and nonetheless their companies perform well in the market. Thus, the question arises: to what extent does the happiness of the employees affects the performance of the company?

2 Defining and measuring the happiness of the employees and productivity of the company

As both concepts, happiness and productivity, can be defined in many different ways it is important to clarify their meanings in this particular research beforehand in order to investigate it properly, so that it will be clear. Moreover, as the relationship between those two concepts is studied it is vital to know the ways to measure the levels of happiness and company's productivity, as that is the only way to know whether the company productive or not.

2.1 Happiness

It is important to clarify what the concept of happiness actually is and is there a way to measure it for the evaluation of the research question. As there are a lot of opinions and definitions of what happiness is the most popular one's will be analysed and the best suitable in this case will be chosen as the main definition and the way to measure in this research.

Happiness can be defined as “a state of well-being that encompasses living a good life, one with a sense of meaning and deep contentment” (Happiness | Psychology Today, 2020). It was also connected to a longer life and its better quality and the overall state of the human, according to Robertson (2011). Moreover, Boehm and Lyubomirsky (2008) identified a happy human as the one who mostly experiences positive emotions such as joy, satisfaction, contentment, enthusiasm.

Another opinion that was concluded by Sharifzadeh and Almaraz (2014) states that people are not able to explain what happiness is, however, they are aware of the meaning of it. Moreover, the participants were more successful at giving the example of when they are feeling happy and what makes them happy.

In *Stumbling on Happiness*, Dan Gilbert (2006) claimed that people are unaware of what happiness feels like for other people. For instance, it is applicable to the handicapped people as most of the population think that they are not happy due to their inability to live so to say a “normal life”. However, in fact, that is not true as people with disabilities are saying so themselves.

Another factor that is known to be a source or even a definition of happiness is money. According to Gilbert (2006), money does not make all the people equally happy. He found out that the person is much happier when one is going from poverty to middle class, but after that the money does not bring as much joy and happiness. Moreover, the same idea was already discovered in 1974 by the American economist Richard Easterlin. In his paper “Does economic growth improve the human a lot?” he concluded that there is a noticeable positive relation between income and happiness by conducting a survey in nineteen countries in different continents.

Also, Diltney (2019) applied Bernoulli’s principle to the concept of happiness that is acquired from getting money. Even though the Bernoulli’s principle is used in fluid dynamics the most and it states that an increase in the speed of a fluid occurs simultaneously with a decrease in static pressure (Clancy, 1978), in this case, it means that the value of each euro earned is bringing less happiness than the euro before. Thus, the money and the salary does not have a very significant and consistent impact on the employees and their happiness. Also, this conclusion can be explained by using Maslow’s hierarchy of needs model (1943) as the money may not fulfil of the needs

within the hierarchy, the more person progresses the less possible it is to get the needs fulfilled by using money.

According to Holder (2017), there are 5 ways to measure the happiness of the person. Firstly, the most scientifically accurate it is biological, it is done by checking the levels of hormones and neurotransmitters that are responsible for happiness in the human's body. However, researches are still investigating it as it was found out that if the serotonin level is low then there is a high probability that the person is having depression, on the other hand, if the serotonin levels are high it does not necessarily mean that the person is happy. Thus, the biological method is still being studied by the researchers and cannot yet be used in this investigation.

Another approach according to Holder (2017) is behavioural, in this case, happiness can be measured by how often does the person smiles, laughs and helps others. However, some smiles could be fake or some people might not express their emotions at all. Another way is an implicit measure when one does not know that he or she is being assessed, however, it proved not to be useful in measuring happiness. Moreover, there are other types of reports such as ranking someone else's happiness. However, it can be unreliable as people can be biased and be affected by the halo or horn effect as individuals tend to attribute positive or negative traits according to the appearance of the person, thus the less attractive person can be seen less happy than the attractive one. Lastly, according to Bhandari and Wagner (2006), the method that is most commonly used in order to assess matters regarding health status is self-reports.

However, there are a couple of factors that make this method questionable. Firstly, some people are not able to assess their feelings or be confident enough to share them with others. Also, there might be a possibility of confirmation bias, as being happy seems to be normal for the majority of people and that makes the participants want to feel "in-group" and adjust accordingly and as the result not answering truthfully, which affects the outcomes of the investigation.

Moreover, the best way to measure happiness is to use the self-reporting model, as it is widely used in most of the investigations that will be analysed. However, it is important to keep in mind that there is a possibility of confirmation bias occurring, which

can affect the outcomes of the research. It appears due to the basic nature of the human being as we have a need to belong according to Baumeister and Leary (1995).

2.2 Performance of the company

Similar to the concept of happiness, the performance of the company can be measured in many different ways. According to Hagel III, Seely Brown and Davison (2010), there is no universal metric to measure the performance of the company and it is important to choose the most suitable one depending on the circumstances, thus it is vital to identify what method would be the best in this research.

According to Kappel (2017), several indicators can show the success of the company such as measurement of the profitability of the company - financial statement, customer satisfaction rate, the average amount of new customers, employees' satisfaction, performance reviews, position among the competition on the market and lastly, self-assessment of the company that compares expectations of the owners and actual results.

Moreover, the performance can be affected by other factors such as fear of the employees which increases the performance in the short term. Furthermore, according to Renzl (2008), short-term performance can be enhanced by fear, but performance will decline over time due to stress and fear of stepping out of line.

Thus, in this case, the performance will be measured by the long-term financial situation of the company as at the end of the day the company should be profitable and that one of the best and most accurate ways to measure it.

3 Literature review

The experts' opinion about the relation between the happiness of the employee and the performance of the company has divided into three groups. Some say that there is a clear link between the happiness of the employees and the performance of the company, highlighting the positive correlation between the variables, meaning if the

employees are happy the company is performing good, other found out that there is a negative correlation, meaning if the people are unhappy then they are performing better leading to the better performance of the company. However, the third group states that there are no relations at all, and all the other data is just a biased opinion of the researchers and the findings are not reliable.

Therefore, all of the three opinions will be researched further in order to attempt to find out the answer for the research question: to what extent does the happiness of the employees affects the performance of the company?

In addition, there are other factors that might have an impact on the performance of the company and the happiness of the employees that should be taken into account and thus, they will be looked at as well.

3.1 Positive correlation

One of the most popular opinions among the researches states that there is a positive correlation between employee's happiness and performance of the company, meaning if employees are happy then the company is performing well and being successful, thus profitable. This assumption partly comes from previously mentioned the Halo effect. Thus, in this case, it can be assumed that as part of the company – employees – are happy, they are also productive, meaning that the company is successful and performing well.

The researchers such as Oswald, Proto and SgROI, (2015) and Tsai, Chen, and Liu (2007) in their studies suggest that there is a positive correlation between employees' happiness and successful performance of the company.

Oswald, Proto and SgROI, (2015) conducted four different experiments and the aim was to find evidence that the employee's happiness affects productivity. More than 700 participants were a part of the experiments. The first experiment was focused on a short-run happiness shock and the movie clip was shown in the laboratory as a stimulus. The second experiment had a procedure similar to the first one and included the questionnaire throughout the experiment. In the third experiment, another form of short-

run happiness shocks such as sweets and drinks were used. And lastly, in the fourth experiment, the happiness shocks were originated from a real world. Moreover, six different features were chosen in different combinations for each experiment.

- FEATURE 1. An initial questionnaire when the person arrived in the laboratory. This asked: “How would you rate your happiness at the moment? Please use a 7-point scale where 1 is completely sad, 2 is very sad, 3 is sad, 4 is neither happy nor sad, 5 is fairly happy, 6 is very happy and 7 is completely happy.”
- FEATURE 2. A mood-induction procedure that changed the person’s happiness. In two cases this was done by showing movie clips. This procedure was used in experiments 1 and 2. The treatment was a 10-minute clip of sketches in which there are jokes told by a well-known comedian. As a control, we used either a calm “placebo” clip or no clip. We also checked one alternative. In that further case, experiment 3, the treated subjects were instead provided with fruit, chocolate, and bottled drinks.
- FEATURE 3. A mid-experiment questionnaire. This asked the person’s happiness immediately after the movie clip.
- FEATURE 4. A task designed to measure productivity. The subjects were asked to answer correctly as many different additions of five two-digit numbers as possible in 10 minutes. This task is simple but is taxing under pressure. We think of it as representing—admittedly in a stylized way—a white-collar job: both intellectual ability and effort are rewarded. The laboratory subjects were allowed to use pen and paper but not a calculator or anything similar. Each subject had a randomly designed sequence of these arithmetical questions and was paid at a rate of £0.25 per correct answer. Numerical additions were undertaken directly through a protected Excel spreadsheet
- FEATURE 5. A short GMAT-style math test. This had five questions and subjects had 5 minutes to complete this and were paid at a rate of £0.50 per correct answer. To help to disentangle effort from ability, we used this test to measure underlying ability.
- FEATURE 6. A final questionnaire. This took two possible forms. It was either “A” a last happiness report of the same wording as in the first questionnaire and further demographic questions or “B” the same as a plus several questions designed to reveal any bad life event(s) that had taken place in the last 5 years for the subject. Crucially, we requested information about these life events at the end of the experiment. This was to ensure that the questions would not, through a priming effect, influence reported happiness measures taken earlier in the experiment. The final questionnaire included a measure of prior exposure to mathematics and school exam performance, which we could also use as controls to supplement the GMAT results from feature 5.

(Oswald, Proto and Sgroi, 2015)

As a result, this investigation provided evidence of the existing connection between the happiness of the person and one's productivity. Moreover, the study suggested that emotional well-being and health should be studied more closely by economists and other social scientists, due to it is being a causal power. Also, they suggested that human resource specialists and other relevant parties should consider the impact of happiness in a workplace on productivity for the possible changes in the policies of the company. Lastly, it was concluded that as employee's well-being increases the productivity at work, there is a chance of self-supporting connection between productivity of the human and one's well-being.

Another study that supports the positive correlation between the employee's happiness and the performance of the company is conducted by Tsai, Chen, and Liu (2007) named "Test of a Model Linking Employee Positive Moods and Task Performance". The study had five different hypotheses and 2 different studies.

- Hypothesis 1: Helping other co-workers mediates the relationship between positive moods and co-worker helping and support
- Hypothesis 2: Co-worker helping and support mediates the relationship between helping other co-workers and task performance.
- Hypothesis 3: Self-efficacy mediates the relationship between positive moods and task persistence.
- Hypothesis 4: Task persistence mediates the relationship between self-efficacy and task performance.
- Hypothesis 5: Co-worker helping and support is positively related to task persistence

(Tsai, Chen, and Liu, 2007)

In the present case, the most relevant one is Hypothesis 3: Self-efficacy mediates the relationship between positive moods and task persistence.

The first study had 306 participants which were sales agents and their supervisor from five different insurance companies in Taiwan. Moreover, the majority of the sales agents were females, around 73.2%, average employment period is 5.1 years. Also, 1 supervisor was assessing the performance of 2-3 sales agents in the study.

The attempt to reduce the possibility of the same-source bias was made by measuring the constructs using different sources such as sales agents rated their own positive moods, and supervisors rated sales agents' task performance. Due to ethical reasons, the permission to obtain the required data was acquired from all the companies involves as well as the confidentiality was guaranteed for each participant.

The experiment was conducted in two stages that were three weeks apart. Firstly, sales agents had to answer the questions regarding the evaluation of their performance, positive moods and willingness to help other employees in the previous week. Secondly, another questionnaire was conducted three weeks later. Then based on the questionnaires' answers received in the beginning, the supervisors evaluated the performance of the sales agent and the sales agents had to rate their task persistence, the help and support that was or was not received from the co-workers as well as the goal achievement over the month.

As a result, it was found out that:

- positive moods had a significant indirect association, via helping other co-workers, with co-worker helping and support
- helping other co-workers had a significant indirect association, via co-worker helping and support, with task performance
- positive moods had a significant indirect association, via self-efficacy, with task persistence
- self-efficacy had a significant indirect association, via task persistence, with task performance

(Tsai, Chen, and Liu, 2007)

Thus, the result of the first study supported all of the hypotheses.

The second study was conducted in a similar way as the first one, however, there were 263 sales agents with their supervisors from three different insurance companies in Taiwan. This time there were more male participants (35.4%) and the average employment period was the same as in the first study. Also, 1 supervisor was assessing the performance of 2 sales agents in the study. The result of the second study provided some support that the mood state of the employee can forecast the performance on the employee later on.

Moreover, those results of both studies revealed that when the employee is in the positive mood one might perform better by helping other co-workers or getting help from them, thus the improvement in performance might not be caused by the employee but might be a result of a positive mood of the co-worker.

The outcomes of the study explain how the relationship between the mood of the employee and productivity. Also, they claim that positive moods are contributing to the long-lasting effect on the productivity of the employee. Therefore, it implies that employees who are having positive moods more often are possibly working better due to higher productivity as well as persistence.

Moreover, Killingsworth and Gilbert (2010) claim that there is a connection between happiness and mental concentration, it was found out that the less happy the people are the less they are able to pay attention and concentrate on a subject.

It was stated that the “mind-wandering” appears to be one of the default states of the brain. And as many philosophical and religious traditions propose that happiness can only be achieved by living in the moment and it is important to know how to resist the mind-wandering in order to feel present. Thus, these traditions imply that if the mind wanders it cannot achieve happiness.

The methods that were considered to be the most reliable for this study is experience sampling, which includes participants’ reports of their thoughts, feeling and actions of different moments of their days. Moreover, as the data collected in this case can be a very challenging and even seem to be impossible, it was decided to develop an application that will collect and store all the required data for this investigation. The application was made so that it automatically contacts the participants at random times

of the day and asks them some questions that are recorded in the database. Furthermore, there were around 250 000 samples from nearly five thousand 18 to 80 years old people from 83 countries

As the aim of this investigation was to find out how often does the mind of the human wanders, it was decided to analyse the answers of 2250 adults of both genders.

The participants answered three following questions:

- “How are you feeling right now?” - from 0 - very bad to 100 very good
- “What are you doing right now?”
- “Are you thinking about something other than what you’re currently doing?” - with four options: no; yes, something pleasant; yes, something neutral; or yes, something unpleasant.

As a result of the analysis, there were three conclusions. First one states that the mind of the human does wander frequently no matter what they do. In fact, mind-wandering occurred in 46.9% of the samples and in at least 30% of the samples taken during every activity except making love. Also, the real-world investigation discovered a higher frequency of mind-wandering than in a laboratory experiment. Secondly, it was detected that human is less happy when the mind is wandering no matter what the activity is. Lastly, thoughts of people can predict their happiness better than their actions. It was concluded due to the gathered quantitative data that showed the difference between the explanation of human’s activities and mind-wandering.

Therefore, the human mind tends to wander a lot and if it is wandering it is not happy. It is considered to be a cognitive achievement and unfortunately has its cost in the form of unhappiness. However, if the mind is focused on the present it has higher chances to feel happy.

All of these different studies showed a similar conclusion that can mean either that they are all correct and supporting each other, concluding that happy employees have a

positive impact on the performance of the company, or that there is a possibility for a confirmation bias as they are just repeating each other's mistakes.

However, there is a chance of confirmation bias occurring as people tend to attribute positive qualities to everything that seems good but might not actually be good, as was mentioned earlier.

The example of such positive correlation can be seen in Google. Their amazing culture is well known worldwide. According to Glassdoor (2020), Google became one of the best places to work in the USA. The survey was done by the employees themselves, thus can be considered reliable as it is anonymous and quite precise. Moreover, according to Yahoo Finance (2020), Google is worth more than a trillion dollars. Thus, the performance of Google is a perfect example of a positive correlation between the happiness of the employees and the success of the company.

3.2 Negative correlation

Another opinion also states that there is a correlation between employees' happiness and the performance of the company. However, they state that the correlation is negative, meaning that the less happy employees are the better company is performing.

According to Razetti (2018), there is a link between the satisfaction of the employee which can be seen as an employee's happiness to an extent and service productivity. However, the nature of the correlation is negative, meaning the less satisfied or happy they are the better productivity is. There was no experiment conducted and all the findings were mainly based on secondary sources.

Another study made by Mauss, Tamir, Anderson and Savino (2011), suggests that when people are forced to be or look happy, they eventually feel worse if they will not be able to achieve it. Thus, the idea of making everyone in the company happy can make people very unhappy instead. Moreover, as the employees are pretending to be happy, the productivity level is low, so is the performance of the company. In their study called "Can Seeking Happiness Make People Happy? Paradoxical Effects of Valuing Happiness" the purpose was to deeper investigate the idea of the negative impact of

valuing of the happiness on the happiness itself. As some studies prior to this one had some limitations, it was decided to conduct another investigation to explore the concept mentioned above and decrease the number of limitations. That is why the study was divided into parts.

In the first study, the relation between individual differences in valuing happiness and happiness and well-being of the human was investigated. The hypothesis of the study was that the more happiness is valued by the human the lower the happiness and well-being would be in relatively positive contexts, when the stress is lower, but not in relatively negative contexts, when the stress is high. The second study was investigating the causal effect of valuing happiness by experimentally manipulating it and measuring participants' emotional reactions to either a positive or a negative emotion stimulation.

The hypothesis of the study is that people who are valuing happiness more are feeling less happy in a positive context, but the negative context will not have any impact. Also, it was hypothesized that this effect will be caused by feeling disappointed.

The result of the first study discovered that valuing happiness is not linked to getting happier. Moreover, in certain circumstance the more the happiness is valued the less happy a person feels. Furthermore, during the low-stress context, those participants who valued happiness more appeared to be less satisfied with life and psychologically healthy, as well as more depressed. Therefore, the hypothesis has been supported by the first study. However, as the study is correlational there is still a room for interpretation.

Moreover, there is a possibility of other factors being the reason for the connection between valuing happiness and mental well-being. As an example, in some cases feeling unhappy affects the human by making happiness more valuable as it is desired more due to its absence. Also, as the relationship between the valuing happiness and the consequences of the low stress circumstances affect this interpretation by making it less reliable, as the outcomes of unhappiness during the low level life stress conditions, such as its effect on the valuing of the happiness is challenging to clarify. Therefore, it was concluded that the second study is needed where the valuation of happiness is controlled and adjusted as necessary.

During the second study the damaging effect of valuing happiness was shown. It was assumed that the valuing of happiness makes human less happy even though the given circumstances are meant to boost the happiness level. In order for study to be more reliable both explicit and implicit measure of emotions were gathered. In addition, as people are valuing happiness more, they are more disappointed in the goal of being happy is not achieved, thus decreasing the happiness. Also, the participants shown the impact of valuing the happiness on the emotional reaction when they were disappointed with themselves and their happiness.

The outcome can be also explained by mood changes that appeared due to the control and adjustment of the valuing of the happiness. For example, there is a chance of negative mood induction when human compares oneself to another person who seems to be happier. However, some evidence shows otherwise. Firstly, it was discovered during the pre-testing and random checks, that there were no differences in mood revealed. Secondly, when the positive emotions were tried to be improved by the participants themselves, it was correlated positively with disappointment, implying that the relations are very complex and not largely affected by the mood inductions.

The present findings provide evidence of valuing happiness is being self-defeating mechanism that starts to work under certain conditions. It makes human value happiness more but feel less happy. Moreover, this effect was only found in a positive emotional context but not in a negative emotional context, due to the higher expectations in the positive context and in case of the failure to be happy it is harder to blame it on the certain conditions.

Thus, it as shown that people have a higher risk of feeling disappointed in their happiness level in a positive circumstances as well as feel not happy. It was also discovered that female participants to whom happiness was valuable were more likely to experience less positive hedonic balance, lower level of life satisfaction, poor mental health and even symptoms of depression. The findings were appearing only among the females whose life conditions were mostly possible with low amount of stress. Therefore, happiness itself could be negatively affected by valuing the happiness even then the happiness seems to be easy to achieve.

The findings highlighted very unpredictable issue of happiness. It showed that even though the happiness considered to be desirable for people, valuing happiness too much on the other hand can lead to quite the opposite feeling.

Furthermore, according to Silvestro's (2002) investigation, the stores where the employees were least happy were the most profitable ones, providing evidence that the productivity and happiness have a negative correlation - the less happy employees are the better performance of the company is.

For this study one of the leading companies in the UK grocery sector. It was the most suitable company due to the fact that the senior managers are having the philosophy that if the workers are satisfied then the company is performing better. Only 15 stores were chosen for the investigation and they were located in the same region and they were sharing all the needed data such as profit margins and productivity of all the stores. Moreover, the profit margin of the store was measured by calculating the ratio of store contribution to sales, and the productivity was measured in three ways: sales per square foot, contribution per square foot, and contribution per staff hour.

Furthermore, there were no existing measures to evaluate the satisfaction rate of the employees, thus the researchers made a survey based on 6 of 15 stores due to the project's lack of time and resources. From each of the six stores from 20 to 30 employees were asked to answer the following questions and rate their satisfaction on the scale from 1 to 5:

- overall satisfaction with work at the stores
- employees' perception of service quality in the store
- employees' perception of the physical environment in the store
- employees' satisfaction with the style of supervision in the store
- employees' perceived ability to affect store performance

- employees' perceived ability to affect the customer experience

(Silvestro, 2002)

All the results were collected and analysed in order to find the correlation with another variable. A null hypothesis states that there is no correlation between the variables in all the tests. The results revealed with 95 per cent significance level the rejection of the null hypothesis. Therefore, meaning that there is a link between all of the variables.

Furthermore, there was evidence of a positive correlation between the size of the store and profitability, and the negative correlation between the size of the store and operational ratio as well as employee satisfaction. However, the researcher states that more testing is required, preferably in with a larger sample.

Moreover, Schooler et al. (2003) discovered that people's' chase of happiness can actually be the reason for the decrease in feeling happiness. In this experiment, participants were divided into two groups. The first group had to "try to make yourself feel as happy as possible" and the second group did not have to do anything. Both groups listened to hedonically ambiguous music and they were asked to report their feeling afterwards. As a result, the first group was feeling less positive than the second one. Therefore, employees' pursuit of happiness can cause unhappiness and as the result lead to lower performance.

One of the good examples of the companies that have a good performance whereas the working condition and the employees' happiness are poor is Amazon. As Sainato (2020) states that the company does not treat its employees well; however according to Nasdaq (2020) the financial performance of the company is fascinating as the company's worth is more than 1 trillion dollars as Streitfeld (2018) states.

3.3 No correlation

The third opinion on the topic suggests that there is no correlation between an employee's happiness and successful performance of the company. Thus, all the other findings are considered to be just a coincidence or a result of human error.

According to Chi and Gursoy (2009), there is a direct relationship between the satisfaction of the customer and financial performance of the company, as well as between satisfaction of the customer and the satisfaction of the employee. However, there was no direct relationship between the financial performance of the company and the satisfaction of the employees found as it is dependent on customer satisfaction.

The study aims to investigate the relationship between the satisfaction of the employee and satisfaction of the customer as well as to explore the connection to the financial performance of the companies in the hospitality sector. Moreover, all three direct relationships and indirect relationships were explored between employee satisfaction and financial performance and the mediating role of customer satisfaction on that indirect relationship. The study introduces five different hypotheses:

- Hypothesis 1. There is a significant positive relationship between customer satisfaction and financial performance
- Hypothesis 2. There is no significant direct relationship between employee satisfaction and financial performance
- Hypothesis 3. There is a significant indirect positive relationship between employee satisfaction and financial performance.
- Hypothesis 4. The relationship between employee satisfaction and financial performance is mediated by customer satisfaction.
- Hypothesis 5. There is a positive relationship between customer satisfaction and employee satisfaction.

(Chi and Gursoy, 2009)

The data was collected from the customers, employees and managers of hotel from five different locations. In every location 50 three- and four-star hotels were chosen to participate in the study by using a snowball sampling method. All of the hotels received the package which contained the materials for the surveys, each one included 10 employee surveys, 20 customer surveys and 1 survey for the manager.

Prior to data collection, the hotels were assigned with the individual code in order to eliminate confusion of the results from the locations. Moreover, the data regarding the

satisfaction of the customer was also collected with the help of surveys. The data regarding the financial performance was given by the managers of every chosen location.

Moreover, in order to ensure the correct cross-level transformation of the data as the study was transferred from individual to a company level, as it is vital to make sure that the individual ratings are stable.

It was discovered that the satisfaction of the customer significantly impacts the financial performance of the company and that there is no direct impact of satisfaction of the employees on the financial performance, however there is an indirect impact that depends on the satisfaction of the customer.

In addition, results showed the presence of a direct relationship between employee satisfaction and customer satisfaction and between customer satisfaction and financial performance. Therefore, it is suggested that the more satisfied the employees are the better their performance is leading to a good service for the customers. Also, the previous studies were supporting the results as they concluded that satisfaction of the employees is one of the most important keys to achieve financial success, as when the company satisfies the employees and the employees will satisfy the customer.

Moreover, the study showed that when the employees are happy, they have higher motivation level and willing to perform better in order to provide the best possible service for the customer compared to the less happy employees.

Even though the direct impact of employee satisfaction on financial performance might be hard to observe, the findings propose that the companies with main focus of the customer service cannot be successful without the satisfied employees as they are the ones providing the service to the clients. Thus, it is important to take happiness of the employees into consideration and even make it one of the top priorities so that they will be satisfied with the job.

In addition, the link between the service and profit provides better understanding on the importance of certain business practices and the possible way to improve the performance.

In conclusion, this study investigated three major direct relationships and an indirect relationship between customer satisfaction and financial performance. Moreover, the role of the customer satisfaction in the indirect relationship between employee satisfaction and financial performance was examined. As the results show the existence of a direct relationship between customer satisfaction and financial performance, and between customer satisfaction and employee satisfaction. Furthermore, the relationship between employee satisfaction and financial performance was considered to be hard to identify as no clear link was found due to the dependence of both variables on the customer satisfaction.

3.4 Other factors affecting the performance of the company

Some of the researches acknowledge the existence of other factors that have an effect on happiness and the performance of the company, thus it is important to take all the relevant factors that might have a higher impact on the variables into consideration. Some of the concepts that may have an impact are motivation, culture, individual differences such as income and the place in Maslow's hierarchy of needs (1943).

According to Sharifzadeh and Almaraz (2014), it is wrong to suggest that even if the employee works hard or very motivated to work it does not necessarily mean that the employee is being more productive, they assumed that the factors such as education, previous experience and useful tools have a higher impact on the performance.

Another framework Affective Events Theory by Weiss and Cropanzano (1996) implies that job performance is a final result of many different factors. Moreover, it states that people are emotional, thus their behaviour depends on what emotion they experience. Also, according to this model, the job performance is caused by the work environment, work events and emotional reactions, but personal predispositions such as personality and moods only partially affecting the emotional reaction. Moreover, job performance is mostly affected by the result of the emotional reaction of the employee.

In addition, Weiss and Cropanzano (1996), stated that affective work behaviours can be clarified by the moods and emotions of the employee. In other words, in order to be able

to perform well at work the importance of emotions and mood shall not be underestimated.

Moreover, another aspect that may affect the outcome of the research is the question of causation. Is happiness affecting the performance or the performance is affecting happiness, or even both are affected by some other factors?

According to Warr (2011), there are four possible answers to this question. The first possibility is the one that has been taken as the correct one in this thesis: well-being is the cause of performance. The justification for this concept is the assumption that good well-being creates behaviour that boosts better performance at work.

The second possibility is the opposite of the first one: the performance is causing well-being. It can occur as effective job performance alters environmental inputs in ways that can enhance happiness. As Lawler and Porter (1967) stated: "good performance may lead to rewards, which in turn lead to satisfaction".

The third possibility suggests that well-being and performance are causing each other, meaning that two previous possibilities are operating in cooperation with each other. Latham and Pinder (2005) concluded that "effective performance can yield reward-linked happiness, and that this encourages the continuation of the rewarding behaviour".

The fourth possibility proposes that Additional Variables Cause Both Well-Being and Performance. It appears due to the possibility of undermining other factors such as personality traits that might have an impact on the correlation between the happiness of the human and behaviour.

Therefore, if the current study would be examined multiple times with respect to all the four different possible points of view, it would probably have different outcomes.

4 Methodology

In this research, it was decided to use the documentary analysis of secondary data as there were a lot of relevant cases that investigate similar topics, meaning that this is the

secondary research. Moreover, all the relevant data is collected through secondary data such as different books, articles and studies in order to ensure the diversification that can be beneficial for the reliability of results of the investigation and decrease of bias via the variety of points of view.

Most of the researches used are survey-based, thus there are some limitations such as reliance on self-reported assessment, which can be unreliable due to some reason such as confirmation bias and inability to understand one's feelings. Therefore, it is beneficial to analyse many studies in order to reduce the bias due to the investigation of different points of view and different research methods.

In addition, it was decided not to make any survey or other type of investigation in this research due to the time limit and current world situation, the pandemic, that makes it difficult to contact the companies as they are going through a lot of troubles. As in order to produce a reliable and valuable study that would be beneficial for a deeper understanding of the issue, it should be longitudinal and in cooperation with a couple of companies from different industries, thus time-consuming, require a lot of qualitative analysis and help from a couple of companies.

Furthermore, the extended literature review will consist of comparing, contrasting, evaluating and analysing a wide variety of studies that employ different methods in different circumstances at different times.

Moreover, it is important to mention that even though the primary data will not be used the quality of the research will not be less reliable nor valuable as there is a large scope of data analysed. Also, according to Juneja (2020), the use of secondary data has a lot of benefits such as saving efforts and expenses, as well as time. Moreover, it makes the understanding of the issue easier and different opinions can be easily collected by the researcher.

Moreover, as this study is focused on not creating a new theory or framework, but to investigate the knowledge gap that was identified during the primary literature review both qualitative and quantitative types of research are analysed. As Blaxter, Hughes and Tight (2001), stated that in order to test a hypothesis both qualitative and quantitative data may be used.

5 Analysis

As all of the relevant literature was already introduced above, now it is important to analyse the impact of the results on the thesis question and discuss the limitations and strengths of each study.

5.1 Positive correlation

As a result of the literature review, a lot of studies provided evidence of a positive correlation between the happiness of the employees and the performance of the company. However, it is important to compare the studies in order to see the limitations and the occurrence of bias, as it can have an impact on the conclusions of the studies.

In the cases that support a positive correlation between employee's happiness and the performance of the company, there is a possibility of confirmation bias or Halo effect, as it was already mentioned earlier, which might affect the outcome of the investigation. Therefore, it is vital to be prepared for the probability of incorrect outcomes and explore each study individually to find out the "truth".

Firstly, the study by Oswald, Proto and SgROI, (2015) will be analysed. There are some limitations to this investigation. For instance, the general disadvantage of the whole experiment is the fact that the researchers are not able to know was the "happiness shock" really causing happiness among the participants as it was just assumed based on their self-reports. Therefore, there is a possibility of confirmation bias, as people are likely to please others as they have a need to feel in-group, and in order to not disappoint the researcher, their answers can be affected and be incorrect.

One of the studies that showed this phenomenon was made by Asch (1951) where he discovered that about one-third of participants answered the same as the majority even though it was clearly incorrect and around 75% conformed at least once. This study concluded that there are two reasons that make people conform: need of belonging and feeling ingroup and doubting one's abilities and assuming that the majority knows best.

Also, the study was executed in a way where not all of the variables were under direct control, such as the happiness shock in experiment 4 as it was caused by a real-life event. However, it seems that the experiments have complementary strengths and weaknesses, which make the overall study more reliable.

On the other hand, the study by Oswald, Proto and SgROI (2015) is overall reliable due to several reasons. Firstly, there was a lot of different quantitative and qualitative research done. Secondly, it explores a lot of different scenarios that make the finding more trustworthy and reliable.

Another study named "Test of a Model Linking Employee Positive Moods and Task Performance" by Tsai, Chen, and Liu (2007) also have some limitations that are important to take into account during the analysis. The measure of task performance was quite subjective; thus, it raises the question of the reliability of the study. Moreover, as the supervisors were also participating in the study by rating the employees, they could have been affected by the previously mentioned halo effect. It was also investigated by Staw, Sutton and Pelled (1994) and the results showed that the more friendly the employees are the more successful and professional they are seen by the supervisors.

On the other hand, the relationships in the study are more casual, meaning that when one occurs it make another occur as well. Moreover, they tried to eliminate or reduce to minimum common method bias by collecting data from many different sources.

The results of the study by Killingsworth and Gilbert (2010) appeared to quite interesting as several different opinions can be justified using the study as it can be interpreted in many ways.

The participants of the study were representing many countries, both genders and different age groups which is good for further generalisation, however, for the deeper analysis the smaller sample was chosen. In this sample 73.9 per cent of participants were living in the USA, which might have impacted the results and made the study harder to generalise across the nations and cultures. Also, the number of males and females was approximately the same, thus the study does take into consideration both genders and can be generalised at last to some extent.

Moreover, as the all the data consisted of the self-reports of the participants, the human factor should be taken into account. as some participants might be deceiving due to many reasons. Other than that, the study gathered a lot of valuable data that does have a significant value for the research.

5.2 Negative correlation

Similar to the outcome of the literature review of the positive correlation between the happiness of the employee and the performance of the company, there are a lot of relevant studies that investigate the negative correlation between the variables. Furthermore, similar to the previous part, there are some strength and limitation that should be considered when researching the thesis question.

Firstly, the study by Mauss, Tamir, Anderson and Savino (2011) "Can Seeking Happiness Make People Happy? Paradoxical Effects of Valuing Happiness" will be analysed.

The first limitation of this study is that all the participants were females that are living in the USA, therefore, it cannot be applied to male, as the result could have been different due to psychological differences and the outcome of the pilot testing; and as all of them are living in the USA the cultural background is similar, meaning that it cannot be applied to other cultures other than the US. Therefore, these findings shall be examined to check the extent of gender and culture generalization. Secondly, as the second study showed that that disappointment about one's feelings mediated the effects of valuing happiness on emotional reactions to the films. Therefore, it is important to interpret the results more carefully.

On the other hand, two studies were made in order to support the hypothesis and they were successful at it. Therefore, no matter the limitation the study is valuable, just in need of more diverse group of participants.

In case of the study by Silvestro's (2002), the sample size is quite small, making it a main methodological limitation. Moreover, another limitation is the choice of measures that was used for the analysis of the relationships between the variables.

It is also important to be careful while applying the findings as even though the statistical significance was quite high, the study was based on a very small sample size thus it is hard to generalise the finding. Nonetheless, the discussion of the results with the management of the company in different levels, both store and the head office, and those in charge were not surprised as they were already familiar with the phenomenon from many other sources such as competitors. Thus, the small sample size may seem to be not as problematic.

Overall, the study provided an insight to the possibility of occurrence of the negative correlations between the happiness of the employee and the performance of the company.

Moreover, according to Renzl (2008), the short-term performance can be enhanced by fear, but performance will decline over time due to stress and fear of stepping out of line, which should also be taken into consideration before jumping into conclusions.

5.3 No correlation

There were not as many relevant studies that supported the “no correlation” opinion. It was found out to be less popular among all, however, it is still important to take it into account.

The main limitation of the study made by Chi and Gursoy (2009) was the examination of the customers and employees’ satisfaction, because it had no depth of scope. It is affecting the generalizability of the findings by lowering them. Also, this study did not research other factors that have a huge impact on the financial performance of the company.

However, the information gathered from the study is still valuable to an extent. For instance, the positive correlation between customers satisfaction and employee satisfaction that was discovered, implies that employee’s satisfaction, which is linked to happiness have an impact of the company, however further research needed in order to have more reliable and direct evidence of such correlation.

5.4 Other factors affecting the performance of the company

The study by Sharifzadeh and Almaraz (2014) provided a completely different perspective on the link between the happiness of the employee and the performance of the company. They focus on the things that are more relevant when it comes to performance, however all of them are far from the emotional side of the performance influencers.

Regarding the Affective Events Theory by Weiss and Cropanzano (1996), it also shows an alternative way of the occurrence of the performance. However, the theory can be hard to generalize as the cultural differences are not considered.

Moreover, it is highly important to further research the direction of the relationship between the happiness of the employee and the performance of the company as relevant knowledge will be beneficial for deeper research of the relationship between the variables.

6 Discussion

Overall, it can be seen that the chosen topic is very complex and has a lot of valuable points of view that have reasonable justifications. Also, it can be concluded that there is no direct relation between the happiness of the employees and the performance of the company, as none of the relevant studies have provided the evidence for that. However, some of the studies have indirect evidence of the existence of such relationship.

Moreover, as a lot of studies discovered some impact of happiness on the performance of the company, it can be definitely said that there is a link between happiness of the employee and the performance of the company. However, as the studies show there are a lot of factors affecting both variables, which alters the impact of them on each other according to the circumstances.

Furthermore, it can be concluded that the industry of the company plays a role in the importance of the happiness, as for the businesses that are based on the daily

interactions with customers and service, it is vital to have happy employees as they are the face of the company. However, it might not be as important for other industries that are less interested in a customer service.

The main limitation of the study is the fact that the gathered data is not necessarily addressing the research question. Therefore, the assumptions were made in order to fit the relevant research into the research topic. It was done in a way that positive mood or well-being was considered to be as happy, even though the concepts are quite different but linked nonetheless; and performance and productivity of the employee were sometimes considered to be similar to the performance of the company, even though it is not necessarily linked.

Furthermore, the question regarding the direction of causal effect between happiness of the employee and the performance of the company shall be investigated further, as it can alter the existing findings.

7 Conclusion

As can be seen from the different studies above there is no obvious conclusion as the research question is quite complex, thus the topic needs further and deeper research which includes experiments. However, at this point, it can be concluded that the happiness of the employee does not mean that the company is performing well, as well as if the employees are not happy the company still might be successful. Thus, even though there are some links between the happiness of the employee and the performance of the company, there is no direct link between the happiness of the employee and the success of the company as there are a lot of factors affecting both variables. Moreover, the definition and ways to measure happiness are also hard to generalise and apply to the investigation.

However, this theoretical research can be a base for further research of the topic to provide a deeper understanding and show the impact of happiness of the employees on the performance of the company in the real world. Further research should include other factors such as culture and even the employee's position within the Maslow's hierarchy of needs (1943) that might affect the outcome of the investigation.

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