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HOW TO CULTIVATE HAPPINESS IN COMPANIES: FIVE CASELETS

INTRODUCTION

Organizations have developed diverse strategies and tactics to foster happiness within their organizations and customer bases. Focusing on the core drivers of happiness—purpose, autonomy, collaboration, and excellence (PACE)—organizations have developed their own unique cultures that align with their business objectives. The five vignettes below provide examples of tools that leaders have used to cultivate happiness within their companies.¹

DEFINING PACE

We can define the concepts of PACE as follows:

Purpose: You are part of something meaningful, and you feel that you are having a positive impact on the lives of others.

Autonomy: You are in control of your time and your future path, and you are able to work on things you are good at, as well as learn new skills.

Collaboration: You are forming meaningful relationships. You are communicating clearly with others. You are sharing productive, innovative, valued experiences. You feel respected.

¹ All quotes are from the authors' interviews unless otherwise noted.

Jake Poses, Professor Jennifer Aaker and Debra Schiffrin prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Thanks to Sara Gavisier Leslie for a keen editing eye.

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Excellence: You feel forward momentum toward achieving excellence. Your work is yielding powerful, definite results.

Keep in mind that *happiness is not the end goal*; companies should design for purpose, autonomy, collaboration and excellence. Happiness will be the by-product after these goals have been achieved.

HAPPINESS IN THE U.S. MILITARY

Organizations can foster happiness by connecting people with something larger than themselves. For the U.S. military, this is the key factor that the 1.4 million-person organization uses to drive happiness. Many of the military's traditions and institutions are aligned with an objective to connect men and women to a higher goal.

Purpose:

The U.S. military was built on the idea of purpose as it was predominantly *mission-driven*. Since the U.S. military moved to a fully volunteer army in 1973, individuals who ascribed personal value to the mission of serving their country had populated the ranks. The military capitalized on this emotion by highlighting the value of the mission—it is this responsibility of “service to the country” that causes an army ranger to say s/he is ready and willing to return to Afghanistan even though s/he has two young children at home.

The military was full of *traditions* that instilled a sense in servicemen and women that they were following in the footsteps of others. The grounds of bases were dotted with statues; dorms were named after accomplished generals; and each unit had a unique song and flag. These symbols connected soldiers to something larger than themselves—they were part of more than 200 years of tradition.

Autonomy:

Service members were trained to follow orders in the military, so autonomy was not an attribute usually associated with the military. However, the military designed for autonomy in the sense of training members to be able to think on their feet, take initiative, and act independently when necessary in dangerous situations.

Collaboration:

The U.S. military cultivated meaningful relationships by embracing the idea of *separation for cohesion*. The military went to great lengths to separate itself from the rest of society. It established separate institutions of training and higher education at places like West Point and the U.S. Naval Academy. Military personnel wore uniforms that clearly displayed their ranks, achievements, and acts of heroism. Through these mechanisms, the military could delineate who was in the organization and who was not. This created a sense of cohesion and connectedness for those on the inside.

Military leaders were judged by their ability to foster cohesion within their units, and that was a substantial component of their performance reviews. The extent to which troops derived their happiness and self-worth from being part of a cohesive unit was important in driving necessary outcomes for the military. In moments of grave danger, for example, members of the military were conditioned to run into the line of fire because they felt an obligation not to let their units down.

Excellence:

The military encouraged its personnel to use their skills toward the goal of excellence by constantly reinforced messaging that its members were *the best*, most capable forces in the world. The military internally promoted that it had best-in-class technology, the best training, and the highest level of preparedness. In an environment where its people were walking into unknown situations and facing significant danger, the U.S. military used its technology, know-how, training, experience, and resources to give its members on the front line the confidence that they were ready for the tasks at hand. Servicemen and women felt a sense of productivity and that their skills were being used toward the goal of excellence. This was achieved through the mechanisms of giving promotions and publicly rewarding medals and other meaningful honors for accomplishments and acts of bravery.

Measuring Happiness:

For the military, the ultimate measure of happiness was whether people left for civilian employment or became career military personnel. Because the cost to recruit and train every soldier was so high, attrition had significant costs. Retention rates, particularly for highly performing military personnel, were a key evaluation metric for officers and provided them with a clear and constant measure of performance.

The Downsides of Happiness:

One downside of happiness was that military personnel became accustomed to, and almost dependent on, the happiness fostered by cohesion while they were in uniform. This could leave them with an emotional vacuum when they departed. Happiness that came from camaraderie under conflict was very difficult to replicate in a non-conflict environment. Everyday activities could seem mundane relative to life on the battlefield, and these intense emotions and highly stimulating experiences were difficult to replace.

Another downside of happiness was that the pride military members had in their institutions and organizations could make service members blind to mistakes. The combination of a “do not embarrass the organization” attitude, camaraderie, and career incentives could result in cover-ups of mistakes. The well-publicized story of the death of former National Football League star turned army ranger, Pat Tillman, is one example of a significant cover-up. Tillman, it was later revealed, was killed by friendly fire in Afghanistan, though for several years the military said he was killed by enemy fire.

HAPPINESS AT THUMBTACK'S TEAM PHILIPPINES

Watch to learn about Team Philippines: http://www.youtube.com/watch?v=BKYfy3_7cuw

Watch to learn about Thumbtack: <http://vimeo.com/thumbtack/review/41594488/5c6e344cad>

San Francisco-based start-up Thumbtack was a marketplace for local services in the U.S. Consumers told Thumbtack what they needed done, and Thumbtack solicited competitive quotes from its network of professionals. In 2012, it worked with 260,000 local businesses and independent professionals in categories from home improvement to events to health & beauty.

When Thumbtack needed to fill positions that required English language proficiency but little content-specific knowledge, it turned to a labor outsourcing start-up oDesk. Thumbtack's founders contracted with a Filipina woman, Mikan, who began finding people across the Pacific to do odd jobs for the budding start-up. Two years later, Thumbtack employed 175 people in the Philippines—10 times the number of full-time employees at its headquarters—all working from their homes scattered throughout the Philippines. Thumbtack's Team Philippines, as the company called its overseas operation, had collectively proofread and edited several hundred thousand pieces of content, handled tens of thousands of customer support e-mails, and performed countless other recurring and one-off tasks over the Internet or by Skype.

Purpose:

Thumbtack fostered a culture in which contractors felt they were part of something meaningful by creating a family-like environment. The company attributed the success of its offshore operation to this culture. The concept of a family business was core to how Thumbtack built and managed its large offshore operation, even though it had no physical office and many members of its team had never met face-to-face. The culture was one of the main reasons team members made significant sacrifices to work for Thumbtack. Thumbtack paid its team members an average of \$2.25 per hour—half as much as some could earn in comparable jobs. Many team members worked at night in the Philippines to coincide with U.S. business hours and worked 100-plus hour weeks to pitch in during peak-demand periods.

Autonomy:

One way Thumbtack made contractors feel in control of their destiny was by allowing them to work from home. Setting them up at home offices represented both a significant cost saving for Thumbtack and a perk for team members. In a country where open-air buses were the norm, and people had to contend with frequent flooding, commuting was a major hassle. One team member gave up a call center job to come to Thumbtack; the rate was half of what she was making, but she no longer had to commute. Working from home also gave team members the flexibility to take care of their children while earning an income. The nature of the work allowed team members to fit their work into their schedules and other commitments.

Local management was another driver of autonomy. Although overall direction came from Thumbtack cofounders Jonathan Swanson and Sander Daniels in San Francisco, Filipinos managed the team on a day-to-day basis.

Collaboration:

Thumbtack had several mechanisms it used to cultivate meaningful relationships within the team, including *team e-mail lists*, *meet-ups* and *referral bonuses* to connect employees to each other.

Team e-mail lists worked in the following way: Each of the four sub-teams had an e-mail list used not only for work-related messages but also to share personal news. Team members frequently sent around photos of children or requests for vacation ideas. Managers sent group e-mails wishing team members “Happy Birthday” and celebrating anniversaries working with Thumbtack. E-mails were not formal and corporate, but were filled with emoticons, colorful text, and distinct signatures. E-mails became a way for team members to express their personalities and get to know each other.

Meet-up parties were organized by employees in regions of the country where numerous team members lived so they could get acquainted with one another. Occasionally, these were organized and paid for by Thumbtack, but mainly they occurred because team members initiated them. On meet-up days, daily tasks accumulated and consumers in the U.S. were left waiting. Thumbtack’s management believed this was a small price to pay to build a cohesive Philippines operation.

Thumbtack also instituted referral bonuses to create a more cohesive and integrated team. The company paid its team members \$20 for each new member they recruited to Team Philippines. Many team members recruited their friends and even their spouses—there were two married couples on the team—helping new employees feel immediately connected to the broader family and increase their sense of belonging. The bonuses also made recruiting the responsibility of the whole organization, and made everyone feel a greater sense of ownership.

Excellence:

Thumbtack propelled employees toward excellence by offering training, providing performance reviews, and listening to feedback.

Thumbtack created comprehensive onboarding and training documents and videos to allow new team members to get up to speed and easily find assistance. Without co-workers in shouting distance, it was important that Thumbtack put all the information at its contractors’ fingertips, both to produce higher quality work and to avoid frustration.

The deputy directors in the Philippines established a formal process for regular feedback with each employee. Thumbtack was able to track speed and quality of completed tasks. Team members were notified of their relative ranking, and reviews were highly focused on honing in on areas that needed improvement. For example, one member of the Outbound Calling Team was told in her review that she needed to be “less formal and more conversational” in her calls. She found this quite useful and thanked her manager for the feedback.

In terms of listening to feedback, the San Francisco team used web portals and other tools to constantly solicit feedback from the Philippines about how to make their jobs easier.

Thumbtack designed for employee progress by offering advancement opportunities. From its first employee onward, Thumbtack had a history of promoting managers from within, giving employees a sense that they were moving ahead along with the success of the company.

Measuring Happiness:

Managers in the Philippines and San Francisco kept a close eye on hard and soft barometers of happiness. The U.S. team tracked attrition of Team Philippines employees—generally not more than a few team members a month—from each of the four teams. Deputy directors routinely solicited feedback about what Thumbtack could do to make their experience better. They also gave end-of-year surveys to all team members to evaluate the performance of his or her team leader.

The Downsides of Happiness:

One downside of happiness for Thumbtack was the cost of employee flexibility. One of the benefits of working for Thumbtack was the ability to work from home at convenient—sometimes inconsistent—hours. However, this could result in inconsistent response times for customers. Thumbtack also ran the risk of Internet outages which could take a significant portion of its labor force offline.

HAPPINESS AT INDIEGOGO

Indiegogo, the San Francisco-based crowd-funding website, connected fundraisers and funders from around the world. By 2011, the company had hosted over 100,000 funding campaigns. Indiegogo took the concept of happiness seriously; three of its 29 full-time employees focused on customer happiness, and the company had an Employee Happiness Initiative that included employees from across the company. Indiegogo founder and COO Danae Ringelmann defined happiness for employees as fulfillment of expectations, optimization of personal skills, and success.

Purpose:

Indiegogo learned early on that its employees were self-selecting in their desire to be part of something meaningful. One of the top reasons people came to Indiegogo and stayed with the company was its mission to democratize fundraising and create an equal playing field—empowering people all over the world to raise money for ideas they were passionate about. Indiegogo's core values were collaboration, authenticity, empowerment, and fearlessness. Ringelmann said its mission and core values unified and strengthened the company.

Employee passion for the company's mission influenced Indiegogo's hiring practices, and it began screening for people who were mission driven. Each candidate had four interviews: two skills interviews and two culture interviews.

Autonomy:

Indiegogo gave its employees a sense of autonomy by encouraging them to work on projects that excited them and optimized their skills, even if it meant changing their areas of responsibility. Performance reviews, in addition to addressing short-term goals, explored where each employee wanted to go in the subsequent three months and designed a roadmap to achieve those goals. Following that philosophy, Indiegogo allowed employees to figure out in which initiatives they wanted to be involved, and employees could stay with those initiatives for as long as they wanted to or felt they could add value. Ringelmann elaborated:

Allowing people to say which initiative they wanted to be involved in was a good move because the initiatives got people who had opinions about things or had experience with certain elements to be able to offer that kind of perspective and not get stuck in that one role they were hired for.

This process had not been institutionalized yet, as Indiegogo was working on a way to find a balance between allowing employees to follow their passions and making sure the company completed needed tasks.

Collaboration:

To foster collaboration, Indiegogo believed that it needed to measure employee happiness. The company conducted employee happiness surveys every two months, in which employees ranked how they felt about statements on a scale ranging from “strongly disagree” to “strongly agree.”

The questions remained constant, allowing Indiegogo to capture trends over time. The results of these surveys significantly influenced how Indiegogo designed its operations. A big shift came after the survey found company communications consistently scored the lowest. Employees reported that departments were siloed, with each group operating independently instead of together. In response, the company revamped its way of working by building cross-functional teams, which allowed the whole company to give input on each initiative. This restructuring changed the whole workplace dynamic. For example, employees got up more often from their desks to go across the room and speak to people in other departments, making employees feel they were all part of the same team.

In a special initiative in May 2012, Indiegogo conducted four values workshops to revisit what its values meant. For one hour each week for four weeks, the company had an "All Smiles" meeting. Anyone who wanted to attend could do so. During these sessions, everyone drew pictures of what it meant to be empowered, fearless, collaborative and authentic, and then shared those pictures with the rest of the team.

Excellence:

To help employees achieve excellence, every week Indiegogo shared its Key Performance Indicators (KPIs) with all its employees. The company showed how the work done that week, both individually and collectively, affected the KPIs, and it compared them to the company's future goals. A whiteboard even showed updated statistics every day.

In addition, every day at morning meetings Indiegogo highlighted individual members' achievements that week. Employees also had the chance to show their authentic selves by talking about campaigns they were personally passionate about, for example, education, Africa initiatives, or jazz music. This process made all employees, especially those who were not customer facing, feel more connected to the impact the whole company was having on customers. In addition, the customer happiness group shared fun quotes from customers, both at meetings and on a whiteboard, connecting employees to customers in another way that showed employees' impact. All of this made employees feel they were valued members of the company.

All of these mechanisms gave employees a sense of progress and productivity, but as Indiegogo was a start-up, Ringelmann said employees had to realize that progress was defined differently than at a larger company:

A start-up is the right place for a person that is willing and wants to work on a lot of different things and just get their hands dirty. It is probably not a great place for someone who says, 'I want to be in X position three years from now. Therefore I need to get these three promotions by then, and here are the things I need to do to get those promotions.' So progress at a start-up is not necessarily trackable or even mappable.

Measuring Happiness:

In addition to the Employee Happiness survey conducted every two months, every week the company collected answers to the following questions from the operations and customers happiness teams:

- What is going well in your role? Any major successes?
- What are the challenges you are facing? Where are you stuck?
- Any suggestions to improve your role, team, or the organization?

For the teams not related to operations and customer happiness, the company left it to them to decide how to measure happiness in their divisions (another instance of designing for autonomy). In addition, there were quarterly “All Hands” meetings, where Indiegogo often did multiple retrospective activities.

The Downside of Happiness:

Indiegogo did see downsides to happiness. Ringelmann acknowledged that happiness was a loaded word, which could set the company up for disappointment among employees if they did not feel their individual happiness goals were met. Also, at times the happiness initiative and the tactics used to achieve its goals could feel too scientific, structured and academic, and could lose sight of the more intangible aspects of happiness.

Another downside was the impact of changing priorities within the Employee Happiness Initiative. Ringelmann explained:

In other initiatives when you plan to do X, Y and Z and suddenly Z becomes more important and you do that first, no one takes that personally. But when we apply the same kind of thinking to the Employee Happiness Initiative, people do take it more personally. For example if the company says, ‘Let’s do the hiring process before the performance process,’ some people might say, ‘Is my performance review not as important?’

HAPPINESS AT SALESFORCE.COM

Despite its rapid growth, Salesforce.com's goal was to keep its organization small and nimble. For the San Francisco-based enterprise cloud computing company, the benefits of a smaller, more engaged team outweighed the advantages of staffing up. As a result, the company remained focused on keeping its employees passionate and engaged. Salesforce.com was in the business of success, and all four drivers of happiness (PACE) were consistent with its mission to propel itself from a small company that did things differently into a competitor to software giants.

Purpose:

Salesforce.com created a sense of purpose by having every employee fill out a five-page document each year that helped them focus their goals and align those goals with the company's overall mission. When he founded the company, Marc Benioff devised a document, which was called V2MOM—"vision, values, methods, obstacles and measurement." Team members said the process of aligning themselves and their goals with the overall mission helped make everyone feel they were part of achieving that mission, which was: "We are successful if our customers are successful." This clear mission was frequently repeated in the halls of Salesforce.com.

To build competence within its organization, Salesforce.com used its impressive track record to bolster the confidence of its employees. In an environment with a significant amount of autonomy, Salesforce.com believed it was important to make its employees feel that they, and the broader organization, would succeed by adopting the company's culture and philosophy. Salesforce.com worked to maintain its consistent rankings among *Fortune* magazine's "100 Best Companies To Work For" and its strong revenue growth rates since its founding.

Autonomy:

Giving employees autonomy was ingrained in the culture of Salesforce.com, and the company encouraged employees to move around the company to find work they were passionate about. In many large companies, managers were incentivized to keep their employees in their current jobs. At Salesforce.com, however, if another manager wanted to hire an employee and that employee wanted to transfer, no one could block it, creating an open market policy. The company even set up internal job fairs to promote internal transfers. It was not uncommon for people to switch jobs more than once a year, including one manager who had 15 different jobs in 10 years. This gave employees a sense of choice and promoted increased commitment to their projects and the company.

Collaboration:

One of the ways Salesforce.com cultivated collaboration was to connect employees to one another virtually. Salesforce.com developed its own internal social network to help employees connect virtually. *Chatter*, which eventually became an externally marketed product, allowed employees to quickly find answers to their questions and generally feel more connected to each other. George Hu, Salesforce.com COO, said this type of social media vehicle enabled peoples'

personalities to play out on a public stage. It was also scalable in a way that e-mail and physical interactions could not be.

Hu also said Salesforce.com's success played into creating better connections between people: "A winning team is going to have good chemistry. Everyone is pulling together and everyone buys in because it is working. When you are not winning, that is when you get finger pointing and mistrust."

Salesforce.com put considerable thought into setting up its off-site meetings to encourage social connections. For instance, the physical layout was designed to increase interactions—employees switched tables every day and were assigned exercises to create team bonding. Hu said the real value of the off-sites was the networking, not the content. Consequently, the company kept the agenda light, leaving much time for socializing.

Excellence:

Salesforce.com designed for excellence by allowing employees' voices to be heard by top management. For example, when Salesforce.com held its twice yearly Worldwide Manager Meeting with the top 300 executives, the entire meeting was broadcast to the whole company. Not only did employees get to be observers, they could also comment on executives' presentations in real time. The top 300 executives took notice; the meeting rooms featured large monitors that showed a feed of employee feedback as it was entered.

Measuring Happiness:

The ultimate measure of happiness at Salesforce.com was employee turnover. The company believed employees "vote with their feet." From the top down, each manager knew how s/he was doing in terms of employee retention. Managers who had higher than average staff turnover were coached as to how to improve this measure. To measure happiness Salesforce.com also monitored external metrics, including Glassdoor.com, a public website where employees shared specifics about their jobs and companies.

The Downsides of Happiness:

There were two main downsides to happiness for Salesforce.com: the culture of independence and the model of do-it-yourself were not for everyone.

For employees accustomed to more rigid environments, the culture of independence at Salesforce.com could be a tough transition, and they often struggled to adapt. Some employees preferred being told to do "A, then B, then C," but managers at Salesforce.com rarely gave that kind of direction.

To maintain its tight-knit, transparent culture, Salesforce.com tried to stay as small and lean as possible, using a do-it-yourself model. Employees had to manage their own IT needs and provide their own administrative support. At times, this could be frustrating and feel inefficient for already stretched and challenged employees.

HAPPINESS AT FERRARI

Ferrari is an elite Italian automobile company that sold 7,200 sports cars in 2011 with a price tag of, on average, €200,000 each. That year the company had record sales, with revenues of €2.2 billion, up 17 percent from 2010, and profits of €310 million, up 9.5 percent. Forty million euros of that came from brand licensing of products which ranged from sporty Puma clothing and shoes for racing fans, to luxury products such as Vertu mobile phones, to electronic games for various devices with Sony, Microsoft and Electronic Arts. Ferrari had four main goals: hire the best people, make the best products, extend the company's global reach, and be victorious in Formula One—the most prestigious racing series, where Ferrari could boast unprecedented success since the Formula started in 1950. The company did not market its product; its marketing came from its Formula One victories.

Ferrari owners enjoyed a close relationship with the company through a wide range of exclusive services and activities they could take part in, from driving courses to rallies. Ferrari organized special events, such as a three-day driving tour through Italy. Owners could fly or ship their cars by boat to Italy—from as far away as Japan—to be part of this elite event.

Purpose:

Ferrari employees had a sense of purpose because they were part of something special and elite. Ferrari's view was that it did not simply sell cars, it sold dreams. As the consistent winner in Formula One, its employees knew they were part of a winning team. The company employed the best people, so the winning team feeling went beyond the race track to the company itself. After work employees could go home in their red Ferrari work overalls, which was a status symbol for some.

Autonomy:

Ferrari gave employees a feeling of autonomy by helping them plan their careers from the moment they were hired until their last day on the job. One of the first things new hires did was sit down with a manager to figure out where they wanted to go. They were encouraged to do what they were good at and to figure out in which areas they wanted to grow. Younger employees were assigned a mentor to guide them in making the best career decisions. Older workers were not put out to pasture but became mentors.

Collaboration:

Ferrari worked hard to build a company that was employee driven, rather than the other way around. Salaries were slightly higher than at similar companies, but above all Ferrari provided important benefits. For example, the company helped its employees get the best interest rate possible on a first mortgage by directly negotiating with banks. The company also provided inexpensive flights for employees with family outside the area to get home for the weekends, and

free summer camp and school books for children of employees. Employees had an 8 a.m. to 5 p.m. work day with a one-hour lunch in the factory restaurant, and the company had a sustainable environment with trees and vegetation inside and outside the building to create a pleasant atmosphere. There was also a doctor's office at the headquarters with free medical facilities for employees and their families.

Excellence:

Ferrari designed multiple ways to drive employees toward excellence, including a yearly competition among its 1,500 blue-collar workers (mostly skilled workers involved in all the production processes) to come up with the best idea to improve the process or the product.² The prize was a weekend for two away in another city like Vienna, or a similar type of prize. Ferrari Director of Communications Stefano Lai said the employees did not enter the contest simply because of the prize, but because it gave them a sense of ownership and pride because they were helping the company to succeed. Employees also played an important role in keeping the accident rate low through a robust safety reporting system. In addition, the first public showing of a new Ferrari model was inside the company for employees only to show them the fruits of their labor before everyone else in the world got to see the car.

The Downsides of Happiness:

A potential downside of happiness at Ferrari was that employees could put so much energy and emotion into their job because they felt part of something special that it could lead to frustration if they did not become high-level managers. While employees received their earned promotions and pay raises, not everyone could become the CEO. One other point related to younger employees: if Ferrari was their first employer, they might not appreciate the benefits they had and might think it was the same everywhere.

² Blue-collar workers at Ferrari were mainly the skilled workforce involved in all the production processes, from founding the aluminum alloys for the engines, welding and assembling the all-aluminum bodies-in-white, machining engine components, assembling the engines, assembling the cars, plus mechanics who worked in the experimental and R&D areas.