

# Happiness Accounting : It's Time to Add Happiness to What We Measure

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## Abstract

There is a lot of research establishing the need and impact of happiness in the workplace. However, the current accounting system developed a long time ago doesn't include the measurement of happiness. This paper's contribution and uniqueness are that it identified this significant research gap of the lack of inclusion of happiness in the accounting and other measurement systems and established a case for including happiness in the measurement system. The key takeaway is that happiness matters for the corporates as happiness impacts performance, it is about good corporate citizenship, and it is possible to measure happiness. Corporates need to include happiness in the accounting and other performance measurement systems. The implication is to take happiness more seriously as it impacts performance, helps in brand building and reputation, and also is the right thing to do as a good corporate practitioner. More research is needed for creating accounting solutions and systems for including happiness in accounting. Also, there is an urgent need to create a consensus among accounting and measurement professionals on including happiness in the measurement systems. There is a need for lobbying to include happiness in the performance measurement systems and create happiness accounting for firms around the world.

**Keywords :** happiness, accounting, performance systems, corporate citizenship

**JEL :** G30, L11, L22

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Though human beings are searching for happiness since time immemorial, there is a massive interest in happiness research across disciplines in the last two decades. The primary purpose of humans is to be happy, as other purposes ultimately lead to happiness.

Given the vast amount of time dedicated to work, job happiness constitutes a fundamental component for developing personal well-being and happiness (Fisher, 2014). Though the realization for happiness at the workplace is getting accepted, there is a lack of measurement of happiness. There is a need to include happiness in accounting and other measurement systems in the corporate sector. The current accounting system was developed a long time ago, and it has played a critical role in the business. However, it doesn't take into account one of the most important purposes of human beings, that is, happiness.

This paper's contribution and uniqueness are that it identifies this significant research gap of the lack of inclusion of happiness in the accounting and other measurement systems and establishes a case for including happiness in the measurement systems.

## Methodology

To identify the research gap on lack of happiness in the measurement systems and make a case for happiness

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accounting, a literature review is undertaken. I looked at papers in the management, accounting, and related fields published till 2020 across different databases. After going through the literature, relevant papers were studied and are used in this paper. There is a lot of literature on the shortcomings of the current systems of measurement, the importance of happiness, and measurement of happiness. The purpose of the work is not to highlight all the limitations of the current accounting and other measurement systems, or to highlight some improvements in accounting systems such as sustainability accounting, or to look at all the progress happening in the happiness domain, or to report all the details happening in measurement of happiness and subjective well-being, but the focus is to look at the lack of happiness in the current accounting and other measurement systems and make a case of inclusion of happiness in the measurement systems, and that is why not too many papers are quoted here.

## **Review of Literature and Development of Propositions**

### ***Limitations of the Current Measures of Performance***

Accounting has a critical role in business. It is the tongue of business (Evans, 2004) and is the language of capitalism (Davison, 2004). Accounting has developed into a measurement science, enabling performance to be evaluated toward the assumed organizational objective of profit maximization (Lamberton, 2015). There is a lot of criticism of accounting (Dillard, 2009) and profit maximization as business's primary goal (Pirson & Lawrence, 2010).

Research shows that there is more to performance than pecuniary measures. Demographics is a well talked about measure that affects firm productivity. Literature has shown that gender diversity makes firms more productive (Turban et al., 2019). Objective measures of organizational performance have been grouped as accounting measures, financial market measures, mixed accounting/financial market measures, and finally, survival ; whereas, subjective measures of organizational performance are considered as reputation or perception of effectiveness (Richard et al., 2009). Some authors gave a slightly departed view wherein they explained that the organizational performance measurement follows the four main measures, namely, financial performance, customer performance, internal business process performance, and other performances related to learning and growth (Van Looy & Shafagatova, 2016). Even these parameters don't include happiness.

We need to relook at the primary goal of corporations not as profit maximization, but as agents serving the needs of society. The main objective of a business is to make a contribution to the well - being of society by creating goods and services for a happy and meaningful life and profit just being a means for achieving this objective (DesJardins, 2007). Historical and literary evidence exists for looking at corporations as agents serving society's needs, going back to the origin of the corporation in Massachusetts (Handlin & Handlin, 1945).

The purpose of this research is not to go into a detailed debate into the purpose of business or to find out all the shortcomings of accounting or to develop a happiness accounting tool. Its purpose is to establish a case for taking into account happiness in the accounting and performance measurement systems.

✍ **Proposition 1 :** There is a gap in the accounting system's evolution with the changing world realities.

### ***It's Time to Add Happiness to What We Measure***

This part of the paper makes a case for adding happiness to what we measure based on three main reasons, as discussed below.

## **(1) It's about Performance**

Performance is essential in organizations (Budhedeo et al. 2020 ; Gupta & Jaiswal, 2020). Performance is the most important driver and purpose of corporations. Research shows that organizations with more extensive performance measurement systems, including objective and subjective non-financial measures, have higher performance regardless of the firm's manufacturing strategy (Van der Stede et al. 2006).

Taking happiness into account can enhance the performance of an organization. There is a lot of research showing the positive impact of happiness on performance (Bellet et al., 2020 ; Cropanzano & Wright, 2001; Hosie et al., 2012 ; McKee, 2014 ; Oswald et al., 2015 ; Weimann et al., 2015). The happy-productive worker thesis has a long history dating back to the famous Hawthorne studies (Hosie et al., 2012) and R. B. Hersey, in 1932, was the first to show a definite relationship between emotional state and productivity in the workplace (Weiss & Cropanzano 1996).

✍ **Proposition 2** : Performance matters in organizations.

✍ **Proposition 3** : Happiness impacts the performance of organizations.

## **(2) It's Possible to Measure Happiness**

It is possible to measure happiness (Gilbert, 2012 ; Layard, 2011). There is a lot of progress in the measurement of happiness.

Happiness can be analyzed at a number of levels, including the level of the global scope of the worker, the organizational or business level, and at the work level (Ramirez - Garcia et al., 2019 ; Suh & Koo, 2008). There are a variety of constructs among the different measures of happiness at work. Job satisfaction is the most common one, although we can find others, such as individual commitment, organizational commitment, work involvement, intrinsic motivation, drive and value, work affection, and resilience (Fisher, 2010). However, none of these factors hold the ability to individually measure happiness levels at work alone. Consequently, a more suitable approach involves taking all of these factors into account to approximate a final concept of happiness at work (Fisher, 2010 ; Ramirez - Garcia et al., 2019). While the hedonic and eudaimonic visions have mainly been used in initial studies of happiness across different spheres, the concept of flourishing (Diener et al., 2010a , 2010b) is currently being used to search for the origin of the inner well-being and mental health that serves as a base for happiness.

Defining and influencing the perception of happiness represents a complex task. Alongside works dedicated to measuring happiness, further studies have also focused on analyzing the antecedents of happiness. These factors lead a worker into a situation requiring welfare (Ramirez - Garcia et al., 2019) ; whereas, happiness is perceived from a hedonic perspective as well as a eudaimonic perspective (Di Fabio & Pallazeschi, 2015), and extant literature does not throw much light on which aspect of happiness is more important from a performance angle.

There are various indexes available and are in use, such as those used by Gallup, which form the basis for World Happiness Reports, Gross National Happiness Index used by Bhutan (Ura et al., 2012), Happiness Index (Musikanski et al., 2017), and Happy Planet (Abdallah et al., 2009). Firms can learn from the national measurement of happiness, started by Bhutan and later taken up by the United Nations in 2012 (Pillania, 2020).

The validity analysis of the Happiness scale given by Ramirez - Garcia et al. (2019) reveals two dimensions. The first is related to the job environment, which, judging by their validity and reliability values, are highly relevant and the second concern intrinsic worker factors. Much like Fisher (2010), who specified the measurement of happiness at work using three levels (the work itself, the contextual characteristics of the job, and the

organization as a whole), the scale presented differentiates between aspects involving the job environment (which includes both work, context, and organization) and those involving the worker as an individual (Ramirez - Garcia et al., 2019).

There are multiple methods to measure happiness, and most of these measures are reliable, valid, and relatively stable (Cheung & Lucas, 2014 ; Lyubomirsky & Lepper, 1999).

✍ **Proposition 4 :** There is progress in measuring subjective concepts such as happiness, and it is possible to measure happiness.

### **(3) It's about Corporate Citizenship**

It is the need of the hour to be a good corporate citizen for corporates. In this era of 24-by-7 media watch and growing concerns about corporates' contributions, it is a good case of corporate citizenship to include happiness in the accounting and the other measurement systems. It can help corporations in brand building and reputation.

✍ **Proposition 5 :** Measuring happiness is good corporate citizenship.

### **A Word of Caution**

While going for capturing happiness in accounting and measurement systems, we also need to keep a balanced view. Whilst most literature discussed pecuniary measures as performance indicators, some advocated against happiness as being one of the measures citing reasons like the link between employee satisfaction and profitability is much-touted because if more-satisfied employees produce more-satisfied customers, who in turn deliver higher profits is true, then the path is clear : Keep your employees content and watch those profits soar ; but employees may be satisfied because of other reasons also (Likierman, 2009). Also, we need to get more specific about what we are measuring (Gilbert, 2012).

✍ **Proposition 6 :** There is a need for keeping a balanced view and caution in measuring happiness.

## **Takeaways and Implications for Practitioners & Researchers**

The key takeaway is happiness matters for the corporates as happiness impacts performance, it is about good corporate citizenship, and it is possible to measure happiness. Corporates need to include happiness in the accounting and other performance measurement systems.

✍ **Implications for Practitioners :** The implication is to take happiness more seriously as it impacts performance, helps in brand building and reputation, and also is the right thing to do as a good corporate practitioner.

✍ **Implications for Researchers :** The implication is to take into account the need for including happiness in the accounting and other measurement systems, which has been neglected for a long time. This work is progress in building a case for it. Researchers can build this case further through more case studies and empirical work on happiness accounting and performance systems.

## **Limitations of the Study and Directions for Future Work**

This is a conceptual paper establishing the need for happiness accounting. However, it lacks in giving the measurement system for happiness accounting. There is a need for empirical work on building a stronger case for including happiness in accounting and other performance measurement systems. There is a need for creating accounting solutions and systems for including happiness in accounting. Also, there is an urgent need to create a consensus among accounting and measurement professionals on including happiness in the measurement systems. There is a need for lobbying to include happiness in the performance measurement systems and create happiness accounting for firms around the world.

## **Author's Contribution**

Dr. Rajesh K. Pillania is working in the area of happiness for a number of years. He has vast experience in happiness research and has written two books, two reports, and many articles on happiness. This paper's contribution and uniqueness are that it identifies the significant research gap of the lack of inclusion of happiness in the accounting and other measurement systems and establishes a case for including happiness in the measurement system. There is a need to include happiness in accounting and other measurement systems in the corporate sector. The current accounting system developed a long time ago doesn't take into account one of the most important purposes of human beings, that is, happiness. The key takeaway is happiness matters for the corporates as happiness impacts performance, it is about good corporate citizenship, and it is possible to measure happiness. Corporates need to include happiness in the accounting and other performance measurement systems. The implication is to take happiness more seriously as it impacts performance, helps in brand building and reputation, and also is the right thing to do as a good corporate practitioner. There is a need for creating accounting solutions and systems for including happiness in accounting. Also, there is an urgent need to create a consensus among accounting and measurement professionals on including happiness in the measurement systems. There is a need for lobbying to include happiness in the performance measurement systems and create happiness accounting for firms around the world.

## **Conflict of Interest**

The author certifies that he has no affiliations with or involvement in any organization or entity with any financial interest, or non-financial interest in the subject matter, or materials discussed in this manuscript.

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