

ERASMUS UNIVERSITY ROTTERDAM

# Assessing a company's performance with happiness

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*Integrating job engagement into the balanced scorecard*

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## Abstract

This thesis conducts a systematic review to explore if companies should integrate happiness into the company's balanced scorecard. The balanced scorecard is a broadly used tool for companies to translate their strategic goals into tactical actions and helps a company to assess its performance. Happiness research has recently become a major area of research within economics and the concept has even been implemented in public policies. As a logical result of this trend, happiness in the working environment is being researched using the concept of 'job engagement' amongst others. H. Rampersad suggested to include happiness of the workforce when measuring the strategic goals of a company by expanding the personal balanced scorecard. Complementary to this method, this thesis suggests companies should use the Utrecht Work Engagement Scale (UWES) as a tool to measure job engagement of employees and the Job Resources-Demands Model to explain the level of job engagement within a company. With this detailed information a company can take practical steps to increase job engagement and eventually improve the performance of the company.

**Key words:** balanced scorecard, job engagement, happiness research.

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## 1. Introduction

‘Money makes you happy’. A phrase often heard in a capitalist society where working hard and earning a lot of money is one of the major virtues. As an economics student I had never before doubted the importance of having money when accomplishing a happy life. An education in economics is mostly straightforward: you have economic theory, principles and laws. Moreover, you have companies striving to earn as much profit as possible.

Then again, the specialization and professionalization in the academic world is not as strict anymore as several decades ago. Economics is converging with other disciplines, but this is not a new development. Aristotle, one of the first economists, was not only an economist, but also one of the great philosophers of all times (Reiss, 2013).

While adjusting itself to other disciplines in more recent times, economic science is facing hard challenges to remain valid under new circumstances. One of these great challenges can be found in happiness research (Reiss, 2013).

When we take a leap into history, we find economists, ever since Jeremy Bentham (1789), proclaiming the concept of utility to be an important framework within economic theory (Wilkinson, 2008). Welfare economics has a great history within economic sciences, but with the arrival of new fields in economics<sup>1</sup> and the gaining importance of psychological and sociological influences, it is losing validity. Research shows that ‘happiness’ does not follow the rules of standard economic theory (Wilkinson, 2008).

Economists, like Richard Layard, even proclaim that the happiness of society does not necessarily equate to its income. Other factors are more important (Layard, 2005). In other words, ‘happiness’ is definitely the odd one out when it comes to economics.

Given these deviant results when it comes to ‘happiness’, I was surprised to find H. Rampersad’s influential book proclaiming happiness should be included as a measure in the balanced scorecard of a company (Rampersad, 2011).

This research will shed more light on the characteristics of happiness within economics. More specifically, it will explore if a practical implementation of happiness into the balanced scorecard is feasible and desirable in this state of ‘happiness research’.

Happiness is gaining more and more importance in economics and it is necessary to be able to use it efficiently before implementing it as a company’s performance measure.

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<sup>1</sup> Especially the emerging field of behavioral economics has led to many new notions of human nature that do not always coincide with the economic principle of rationality.

## 1.1. Relevance of the topic to science

This topic contributes to research in two fields.

Firstly, measuring a company's performance has become more important over the years. While entering the twenty-first century, the marketing concept has changed drastically. The holistic marketing concept has shifted the focus to a total market orientation with a main focus on the customer<sup>2</sup>. Internal marketing is an important part of the holistic marketing concept. It requires that everyone in a company or organization follows the same marketing principles. Each part of the marketing process is important: it is not only about producing or selling, but evaluating afterwards can also improve internal marketing (Keller & Kotler, 2009).

Since Kaplan & Norton introduced the balanced scorecard in 1992, a great number of companies have implemented the balanced scorecard as a measure for performance and mean to improve strategic management decisions (Kaplan & Norton, 1992)<sup>3</sup>.

Though the balanced scorecard is broadly used, some critical notes are mentioned, which will be discussed in paragraph 3.3. Regardless the criticism, there are also suggestions to keep the balanced scorecard and expand it with even more subjective, controversial variables like 'happiness' (Rampersad, 2011)<sup>4</sup>. Exploring this topic could show if it is practical and feasible to add this variable to the balanced scorecard and eventually contribute to prior research.

Secondly, the topic of including 'happiness' into economics has gained a lot of attention in recent years. Especially the positive relationship between income and happiness is being doubted given the deviant features of the variable 'happiness'. Easterlin has established the notion that raising the income of all will not increase the happiness of a society, because though there is a positive relationship between income and happiness, income varies inversely with the income of others (Easterlin, 1995). Opponents of this view argue that relative income is of no importance.

Kahneman & Krueger have established that the discussion regarding this topic is a result of the difficulty of establishing a feasible measurement for the variable 'happiness'. They mention the characteristics of happiness: adaptation and the hedonic treadmill. Adaptation refers to the fact that people adapt relatively quickly to major life events. The hedonic treadmill suggests that the more people have, the more they want. These concepts will be discussed further in paragraph 2.2.2. These effects are hard to implement in the definition of the variable 'happiness' and should be taken into

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<sup>2</sup> For an example of the structure of the holistic marketing concept, see Appendix, Figure A1.

<sup>3</sup> An example of the balanced scorecard as introduced by Kaplan & Norton can be found in the Appendix, Figure A2.

<sup>4</sup> H. Rampersad constructs including happiness into the balanced scorecard by expanding the personal balanced scorecard. See Appendix, Figure A3.

account when using this variable in research (Kahneman & Krueger, 2006). When introducing 'happiness' in a practical way in companies, these special features of the variable should be noted. This topic could show the practical consequences of including 'happiness' in the working environment and add to prior research in this way.

## **1.2. Relevance of the topic to society**

Happiness research is not only important to individuals, but has already influenced public policy for a great deal. While there is still discussion about defining a feasible measure for happiness, governments have started to take the topic of happiness seriously. David Cameron, leader of the British Conservative Party, gave his speech on General Well-Being (GWB) as complementary to the Gross Domestic Product (GDP): "Well-being cannot be measured by money or traded in markets. It is about the beauty of our surroundings, the quality of our culture and, above all, the strength of our relationships." In addition to this speech Great Britain started to adjust its public policies to achieve higher GWB by improving mental health institutions and education (Layard, 2005).

Politically 'happiness' is being acknowledged as an important source of income and as a logical result of this implications companies are starting to follow this trend.

Two main reasons are given why companies should include happiness into their evaluation of their employee's performance. Firstly, owners of companies and CEO's of larger organizations began to realize we live in an age where there is no simple working relationship anymore. Most people do not only work to just earn a living, but their work has become a part of their identity. As religion and other traditional ways to find happiness are losing ground, people try and find jobs that make them happy. Therefore happiness in the workplace has become a goal for companies to achieve (Layard, 2005).

Secondly, employees of companies are more often ill by stress, burn-outs or depression. This leads to high costs for companies. To make sure this costs are recognized and to find a way to reduce them, the variable 'happiness' can no longer be neglected in research (Rampersad, 2011).

## **1.3. Theoretical Framework**

The balanced scorecard is a method used by companies to try and reach their strategic or long term goals easier by measuring financial and non-financial factors of the company. Since 1992, when introduced by Kaplan & Norton, this scorecard is broadly used across many industries. The balanced scorecard<sup>5</sup> made it possible for companies to attach their financial budgets to their strategic goals.

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<sup>5</sup> For an example of the balanced scorecard, see Appendix, Figure A2.

Every company has its very unique balanced scorecard that is divided into four categories: financial, internal business process, learning & growth and customer. These categories represent the perspectives a company should consider when setting its strategic goals. Furthermore, the company should plan, implement and evaluate the factors of the balanced scorecard (Kaplan & Norton, Linking the balanced scorecard to strategy, 1996).

Recently in 2003, H. K. Rampersad, wrote an influential book proclaiming happiness should be included in the balanced scorecard<sup>6</sup>. According to his findings, the economic downturn and corporate scandals within large companies and banks, have destroyed customer satisfaction, have increased costs and most importantly, have created an unhappy workforce. To Rampersad the solution to achieve strategic goals for a company lies in the power of the workforce. A good, solid organizational structure will create a happier workforce. With this workforce the company will be able to achieve its strategic goals easier and customer satisfaction will finally increase again.

#### **1.4. Problem Statement**

***Should companies integrate the variable 'happiness' into their balanced scorecard?***

This thesis will discuss if it is feasible and desirable to include happiness in the balanced scorecard, as suggested by Rampersad, given the current state of happiness research. To include 'happiness' in the balanced scorecard, H. Rampersad suggests that each employee should first establish its own personal balanced scorecard. Afterwards the company's balanced scorecard and the personal balanced scorecard will be combined and shared values can be found. This means that the CEO of a company will have a large influence on the engagement or happiness of its employees (Rampersad, 2011)<sup>7</sup>. This top down view also suggests that the CEO has to have a lot of knowledge about his employees and their understanding of happiness. This might seem an unrealistic view in most businesses. In short, reason enough to take a closer look at this concept.

#### **1.5. The research process**

The purpose of the research will be an exploration of the topic 'happiness' (Babbie, 2010). Firstly, the phenomenon 'happiness' will be described using literature research. Starting at a macro level, we will slowly drop down to the working place and the 'happiness' of the workforce. Reports from the Gallup Organization with regard to employees engagement and studies from authors specialized on this topic, will be used to describe 'happiness' in the working environment specifically. The Gallup organization provides worldwide research on the topic of employee engagement among

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<sup>6</sup> The book was revised in 2011. The revised version will be used as reference in this thesis.

<sup>7</sup> For the solution of Rampersad to increase the happiness of employees, see Appendix, Figures A4 and A5.



others. The data is provided in the form of reports and it provides a non-biased, representable sample of the worldwide population.

Secondly, the balanced scorecard will be reviewed. Relevant literature will explain its use, advantages and disadvantages.

Thirdly, the methodology will be discussed using a systematic review. This method is mostly used in medical research, but using analogy, it will also be used as the method for this thesis.

After the systematic review, it will be clear if integrating the variable 'happiness' into the balanced scorecard is a valid choice in this state of happiness research. Furthermore, variables on a micro-level can be found to use in the last step of the process.

Lastly, if possible, these variables and findings will be the basics for building an economic model which could show how to integrate 'happiness' in assessing the strategic choices of a company.

The main problem in this thesis will be if companies should integrate the variable 'happiness' into the balanced scorecard. Exploring literature, this thesis will show if given the current state of happiness research, this is the smart choice to make.

## **2. Happiness Research**

As mentioned in the introduction 'happiness' research is not a new phenomenon. This chapter will firstly describe 'happiness' at a macro level. Secondly, a leap into history will clarify the original purpose of using 'happiness' within economics. Thirdly, the discussion regarding the definition of 'happiness' will be explored. Lastly, the 'happiness' of the workforce will be explored and a clear and sound definition of the happiness concept on a micro-level will be established.

### **2.1. Happiness: a worldwide revolution**

It might not seem to fit in a rational, well developed society to use an irrational, subjective measure as 'happiness' to assess a nation's well-being. Still, in recent years this trend has started to take off and, though there is a lot discussion about the validity of its use, 'happiness' has become a seriously discussed topic by many governments.

Starting in the earlier seventies, the king of the country Bhutan mentioned in his speech that he thinks Gross National Happiness to be more important than Gross National Product to establish a nation's welfare. What was firstly seen as a political exclamation, afterwards started to find ground globally and is being researched scientifically (Veenhoven, 2004).

The exclamation of Bhutan fits the practice of Buddhism in the country. A religion focused on finding happiness. Seen the recent developments, this concept is applied to more and more Western

countries. For example the United Kingdom, as stated in the introduction. After the credit crunch the topic became a high placed theme on many political agendas (Layard, 2005).

Not only governments became more interested in implementing 'happiness' in public policy. Scientists have started to conduct research about the use of this concept. With this new research, the discussion about 'happiness' has started at a macro-level.

Veenhoven has assessed the Bhutanese proposal to use Gross National Happiness as a mean to maximize the individual happiness of its citizens first, thereby increasing the nation's overall happiness. Measuring happiness will therefore be done in the same way as at an individual level, which will be discussed further in paragraph 2.3. Furthermore, he has established several conditions in a nation, like wealth, freedom, brotherhood, equality and justice, which are influencing the individual's perception of one's happiness and therefore determine the happiness of the nation as a whole. (Veenhoven, 2004).

Veenhoven detects several factors that can influence Gross National Happiness and his findings have become the main stream view within economic theory. Income defines just a small part of a nation's happiness and life circumstances play an important role in the differences in well-being between countries (Diener, Kahneman, & Helliwell, 2010).

Before taking happiness research to the micro-level, we will first take a leap into history and determine a workable definition of the concept.

## **2.2. Back to basics**

As has already been discussed in the introduction of this thesis, the concept of happiness is not a new concept. To understand the importance of the concept of well-being in the current state of research, it is important to take a view steps back and assess what was originally meant by 'happiness'. Afterwards, the relationship between happiness and income will be reviewed. From income, we will take a final step to the work place.

### **2.2.1. Utilitarianism**

A starting point for the happiness research we know, is the classical school of economics, with a special interest in the work of Jeremy Bentham (1748-1832). His work involved the thought of utilitarianism or more specifically 'the principle of the greatest happiness'. This principle promotes the idea that people are seeking for pleasure and avoiding pain, which will eventually lead to all individuals maximizing their total pleasure<sup>88</sup>. This was a rather individualistic view, but Bentham believed that with the help of social and moral restrictions individuals would keep in mind the

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<sup>88</sup> The total pleasure an individual could achieve was called 'utility'. Therefore the view is named utilitarianism.

general happiness of the society. This combination would lead to the main goal in the utilitarianism view: 'the greatest happiness for the greatest number of people'. Bentham believes that wealth is a measure for happiness and that it has a diminishing marginal utility (Brue & Grant, 2007).

### 2.2.2. Happiness & Income

On the one hand, Bentham was already criticized because of his views in his own time. Utilitarianism did not take into account that people value goods differently and that it is therefore very difficult to compare valuations in a meaningful sense (Brue & Grant, 2007).

In modern economic thought it is established that income only explains a small part of an individual's happiness (Layard, 2005).

On the other hand, the concept of diminishing marginal return on income seems to make sense in our current society. In fact, it is still being discussed if absolute income or relative income or both matter when assessing happiness between and within countries.

On the one hand, we have Easterlin suggesting that there is no relationship between the absolute income of a country and its happiness. Though the absolute happiness of Western countries is higher than that of less developed countries, the Western countries have a lower relative growth in happiness. Apparently growing income does not necessarily equals more happiness when comparing between countries. This suggestion is in line with the belief of Easterlin that a person's income has an inverse relationship with the income of others. In fact, people will measure their happiness by comparing themselves with their peers and they will become relatively unhappier when others are doing well. To Easterlin with both comparing between countries and within countries only relative income matters (Easterlin, 1995).

This view could explain the paradox noted as the 'happy peasant and frustrated achiever' problem. How come the farmer with just one cow seems to be happier than the lawyer with two cars and a huge mansion? The more developed a country gets, the harder it is to be happy for its citizens, because while everybody's lifestyle in a country is improving, your own happiness will only depend on your relative income. On top of that, the phenomenon of the hedonic treadmill plays an important role: aspirations rise when income rises and relative well-being<sup>9</sup> becomes more important. (Graham, 2011).

Other economists, like Layard, believe that both absolute and relative income matter. Comparing between countries, it seems that countries below a GDP of 15.000 dollars show a relationship between income and happiness. Passing this threshold, the level of happiness is independent of GDP per capita. Within countries, Layard believes people want to 'keep up with the Joneses' and are

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<sup>9</sup> Relative well-being refers to people comparing their own feelings about happiness to the happiness of others.

therefore solely interested in their relative income (Layard, 2005).

The notion of Easterlin has been heavily criticized by others who claim that relative income is of no importance when measuring happiness. It is believed that the hedonic treadmill is exaggerated, because with the rise in living standards, happiness will also rise, no matter what happens to relative income. Though relative income could be important, the main focus should be on absolute income (Stevenson & Wolfers, 2008).

Lastly, Veenhoven suggests that absolute income is the most important source of gratifying the universal needs that people have. Contentment might leave room for comparing oneself to others, but when it comes to overall well-being, this is not relative (Veenhoven, *Is Happiness Relative?*, 1991).

When using the concept of happiness in a work environment it is important to have a clear answer to the question what the influence of an employee's income is on his happiness is. Furthermore, will an employee be less happy with an increase in his income when his co-worker will receive the same amount of money? These questions are being researched over and over again, but a clear answer has not been given yet. If absolute income is the only thing that matters, a CEO of a company can easily motivate his employees by raising their salaries, but if relative income is equally important, this tactic is not good enough. As the balanced scorecard is frequently used by companies to assign bonuses between employees, it is good to keep in mind, that when including 'happiness' as a measure to the balanced scorecard, it is still unsure which factors cause 'happiness' itself. These factors on a micro-level will be searched for in chapter 4 more explicitly.

### **2.2.3. Happiness and Work**

According to Layard, there are Big Seven factors affecting our happiness. The first five are (from most important to less important): family relationship, financial situation, work, community & friends and health. The two remaining factors, personal freedom and personal values are interchangeable (Layard, 2005). Work is seemingly one of the most important factors intervening with happiness.

Firstly, being employed is very important to a person's happiness. Research has shown that being unemployed is one of the most influential causes of unhappiness. People who do not have jobs, have a lot more spare time, but they cannot enjoy this time. Over time the core values of having a job have not changed a lot, though people are searching nowadays more for jobs that are socially relevant or in which they can help other people. Over time, overall job satisfaction seems to have

increased (Diener, Kahneman, & Helliwell, 2010).

Furthermore, unemployment seems to leave a permanent scare when it comes to happiness. The process of adaptation refers to people adjusting themselves over time to certain life events returning to a certain natural set point of happiness. For instance, when someone wins the lottery, after a few years that person will feel equally happy as before he won the lottery (Layard, 2005). People cannot entirely adapt to unemployment, their level of happiness does not recover completely over time (Clark & Oswald, 1994).

Secondly, doing work you like, has an important influence on your level of happiness. It has been established that the social economic status of a person even has an influence on his life expectancy (Marmot & Wilkinson, 2009). Though happiness cannot cure illness, it is established that happiness can prevent illness. In fact, happy people are less likely to become ill. It is therefore argued that public policy should pay attention to happiness as a mean to prevent illness (Veenhoven, Healthy Happiness: effects of happiness on physical health and the consequences for preventive health care, 2006).

CEO's can use the same methods and information to make sure their employees suffer less from illness and thereby reduce costs that come with their absence.

The features of work are important when assessing, if including the variable 'happiness' to the balanced scorecard is feasible. As work is a main determinant of happiness, it is not an odd choice to try and include 'happiness' when assessing the strategies in a working environment.

### **2.3. Defining happiness**

So far we have spoken about 'happiness' as if it is an objective measure. It is no surprise that 'happiness' is in fact a subjective concept: a feeling or emotion. This accounts for one of the greatest challenges of happiness research in past times: how to define and measure 'happiness'?

The definition most often used to describe 'happiness' in economic research is Subjective Well-Being (SWB). According to Diener it is important to realize that SWB has three main characteristics: it is subjective, it includes both negative and positive factors and it is a global assessment of life as a whole. He uses the definition of Veenhoven (1984) who defines SWB as 'the degree to which an individual judges the overall quality of his life as a whole favorably'. Measuring SWB is hard, because emotions fluctuate and only a long term overall appraisal can be accepted as meaningful. This definition of SWB is generally accepted (Diener E. , 1994).

When measuring SWB there are a lot of factors that the researcher should keep in mind. SWB is

mostly measured by self-report assessments. Surveys with questions, like how people rate their satisfaction of their life as a whole, all things considered, determine the scale of SWB. The first problem that arises, is the fact that a retrospective view is used. There is a difference between experienced utility of an activity and its remembered utility. One of the differences here is marked by the peak-end theory. When people are in pain they remember the painful activity by the peak of pain and the end of the activity. Other painful feelings during the activity are neglected. So, the problem when measuring SWB is that the memories people have about their satisfaction do not necessarily comply with the satisfaction that they have actually experienced.

Trying to solve this problem, it is suggested to use a Day Reconstruction Method (DRM). This way people keep track of their experienced utility daily and this reduces the memory bias. Another problem is the aspiration treadmill: the more people achieve, the more they adjust their aspirations to their new, higher living standards. This will lead to the fact that they will not report any higher level of life satisfaction, even when their circumstances improve (Kahneman & Krueger, 2006).

In scientific sense 'happiness' is referred to as SWB. This definition of happiness cannot be integrated in the balanced scorecard. This would mean that the CEO of a company should know what the overall life satisfaction of his employees is when assessing their performances. This is an impossible task for the CEO and even more important, it is not desirable. It would blur the line between work and private life. Therefore it is necessary to find a narrower definition for 'happiness' to be used in the balanced scorecard.

### **2.3.1. Happiness on a micro-level: employee's engagement**

As we have seen in the last paragraph Subjective Well-Being cannot be used as a definition for 'happiness' when integrating this variable into the balanced scorecard. When shifting to a micro perspective another definition of 'happiness' must be found to make it possible to work with.

When we look at 'happiness' in the workplace two definitions come to mind: job satisfaction and job engagement. Research has established a difference between the two definitions and has even found that they react differently enhanced with other variables.

First of all, the two definitions seem to differ with regard to the level of activation involved. With activation the energy and enthusiasm in participating is meant. With job satisfaction an employee is feeling just fine, satisfied. There is a mid-level of energy used and a moderate level of enthusiasm, so it is a moderate view of 'happiness'. As long as there are not too many obstacles and threats, the employee will do a good job, but he will not be pro-active. On the other hand, job engagement refers to the ultimate activation where the employee will be enthusiastic and energized no matter what

problems he or she might face (Warr & Inceoglu, 2012). This difference is of great importance when trying to choose a measure for 'happiness' that can be applied to the balanced scorecard. The perfect employee should not only feel a high level of job satisfaction, but more importantly, he or she should be completely engaged to the job. For a CEO to reach the best possible outcome, he should use job engagement as a measurement for 'happiness' in his company. This is in alignment with the working definitions of worldwide organizations like the Gallup World Poll.

Before applying job engagement to the balanced scorecard, it must be reviewed if this definition is suitable for such practical use. Job engagement or work engagement has managed to attract the attention of researchers in recent years. Though there is continuous discussion about improving the definition and finding more valid methods of measuring, it has been established that job resources and personal resources are by far the main predictors of work engagement. Job resources involve the social, physical and organizational features of the job, while personal resources refer to the more psychological capital of the employee. Job resources also involve the way the organization is built and the contact between an employee and his superiors. There has been established a positive relationship between job resources and work engagement. In other words, the organizational climate is of major importance when it comes to work engagement.

There are several theories that might explain what is an ideal climate where employees feel engaged, but further research need to be conducted in this area. The same holds for the role of the leader of an organization in empowering its employees. (Bakker, Albrecht, & Leiter, 2011).

Despite the uncertainty with regard to the measure and the lack of research, job engagement is by far the most suitable working definition of the variable 'happiness' when integrating this variable into the balanced scorecard. Job engagement is partly controllable for the CEO of a company and influences the 'happiness' of an employee with regard to his work. Before discussing the methodology and exploring the variable 'job engagement' even more, the balanced scorecard as a theoretical framework will be discussed.

### **3. The Balanced Scorecard**

#### **3.1. Using a balanced scorecard**

Making strategic decisions is an important method for a company to keep a solid, organizational structure. Strategic decision-making of a company involves its long term choices which most of the time have a large impact on the company's identity and future. Given the great time span these

decisions occur in, makes it particularly hard for companies to make accurate decisions.

Circumstances might change and companies have to be careful when anticipating long term policy.

One way to reduce the risk in long term decision-making is using reliable methods to set strategies. Traditionally, the activity-based costs system is used to assign budgets to certain activities. More recent, the balanced scorecard has proven to be significantly useful for companies that like to determine their strategic decisions more theoretically. The balanced scorecard can be determined by each company individually, therefore useful for the company's specific problems and needs. The balanced scorecard does not only take into account financial measures, but also tries to predict the non-financial features of the company.

The use of the balanced scorecard is relatively easy compared to other systems and applicable to many types of industries. The balanced scorecard was introduced in its original form by Kaplan & Norton to take into account the changing economic environment. Intangible assets were gaining importance in the business world and their value could not be accurately described by numbers. Next to financial factors, Kaplan & Norton therefore introduced three extra perspectives which value the intangible assets of a company: customers, internal businesses processes and learning & growth. Together with the financial perspective, these four perspectives establish the vision and strategy of a company.

The main goal of the balanced scorecard is to create a link between long-term strategy and short-term actions. In other words, it introduced a new strategic management system which provides a clear structure for the company's CEO. Applying the balanced scorecard to companies, the problems that companies were dealing with, started to show. For instance, there seemed to be a large gap between the company's mission and the employee's knowledge to translate this mission into actions. Applying the balanced scorecard, the CEO uses four processes to improve this: translating the vision, communicating and linking, business planning and feedback & learning.

Important for this thesis is to know that the initial balanced scorecard acknowledges that employees have different individual preferences and that it is therefore necessary to align the preferences of the company with the preferences of each, individual employee.

To reach this goal, three activities should be used: communication and education, goal setting and linking rewards to performance measures. Using this activities will clarify the mission for employees and motivate them to work efficiently. Part of this activities is also allowing employees to have a personal scorecard, which they use to help themselves to translate the company's goals to individual actions. In short, the balanced scorecard provides a framework for companies to implement their



strategies efficiently, while still leaving room for changing market circumstances and individual opinions (Kaplan & Norton, Using the Balanced Scorecard as a Strategic Management System, 1996).

When making a balanced scorecard, it is important for companies to keep in mind that non-financial measures, like customer satisfaction and employee attitudes, may have the same disadvantages as traditional financial measures. It are also lagging variables, that may describe the past accurately, but cannot make any predictions for future company policy. Furthermore, these variables are general and often a cause-effect relationship cannot be established.

When choosing non-financial measures, a company should keep this downsides of some variables in mind. The main purpose of the balanced scorecard is not controlling employees, but learning and growth by communication and aligning individual and company's preferences.

When choosing financial measures, a company should take into account its stage in the product life cycle and its position on the industry's market. When focusing on the customer, not only attracting new customers and keeping old customers happy is of importance, also more generic variables like market share can be used. When facing internal business processes the two most important issues are satisfying the needs of the customers and the wishes of the shareholders. Learning and growth, lastly, creates the infrastructure that the company needs to accomplish long-term growth. In this last perspective the 'employee' plays an important role. This perspective deals with the persons, systems and procedures that are needed to improve the company's growth in the long-term.

Each perspective can be seen as a combination of specific factors, like employee retention and satisfaction and more generic factors. The generic factors, called core outcome measures, are the same for almost every company. The unique factors, called performance drivers, vary regarding the type of business unit. A solid balanced scorecard has both type of factors. The average balanced scorecard counts 16-25 variables, but this varies per company. If a company has too many variables, the difference between diagnostic, short-term variables and long-term, competitive, strategic variables fades away. This is dangerous, because the main focus of a company should be its competitive advantages. The main goal of a strategy is to show the cause-and-effect relationships in a company or business unit. A proper balanced scorecard will find the right variables for that specific company and will link these causes to the results that the company wants to achieve in the future.

Important is that each variable can be linked to the financial perspective. So though the other perspectives complement the financial perspective, the main focus still lies in the financial area. (Kaplan & Norton, Linking the balanced scorecard to strategy, 1996).

After the introduction, the balanced scorecard was broadly used across many countries in many industries. When taking a closer look at the use of the balanced scorecard in the Netherlands, it shows that the use of the balanced scorecard follows a regular S-curve with regard to the adoption and diffusion process. At an early stage of introduction the balanced scorecard increased relatively fast until it reached a certain point and the number of companies using the scorecard remained stable throughout time (Balogh, Corbey, & Van Veen-Dirks, 2006).

### **3.2. Criticism on the balanced scorecard**

Despite all the advantages of the balanced scorecard, just like every theoretical framework, the balanced scorecard has also been criticized. This paragraph will discuss some of the disadvantages of using the balanced scorecard as a strategic management tool

Evident problems that may arise are the lack of a cause-effect relationship between variables and outcomes of the balanced scorecard, choosing variables that do not fit the company as performance measures, the lack of management engagement and not being able to translate outcomes in practical solutions. Furthermore, it has been proclaimed that the balanced scorecard is not appropriate for an innovative economy and restricts the use of intellectual property. It is a rigid measuring tool that is too static to deal with changing circumstances in the economic environment. Instead of enabling a company to be innovative, this method will make it harder for a company to keep up with competitors in the same business and will slow the company down (Voelpel, Leibold, Eckhoff, & Davenport, 2005).

Another problem seems to be the subjectivity of the variables used to measure performance in the balanced scorecard. Though the balanced scorecard was initially used to improve strategic decision making, most companies use it as a mechanism to divide bonuses to its employees. Research has shown that because of the subjectivity of the variables it is unsure which weights should be attached to each variable. This could lead to an unfair division of bonuses between employees (Ittner, Larcker, & Meyer, 2003).

Lastly, when looking at the use of the balanced scorecards by companies, the effectiveness of the method to reach certain goals is strongly doubted. Companies using the balanced scorecard are skeptic about its performance and the 'project management syndrome' seems to further induce this negative attitude. This syndrome refers to the practice that management introduces a balanced scorecard before starting a new, big project, but lacks the ability to change the organizational

structure of the company, which leads the project to fail. It is therefore important to notice that the balanced scorecard should not be used for single projects, but is meant to reflect the company's long term strategies (Angel & Rampersad, 2005).

Despite all the downsides of the balanced scorecard, the scorecard is still broadly used across industries. When integrating 'job engagement' into the balanced scorecard, it should be reviewed if this implementation worsens the disadvantages of the original scorecard.

### **3.3. Variation on the classic balanced scorecard**

The balanced scorecard provides a clear theoretical framework for a company to structure its organization in such a way that it is easier to achieve its strategic goals. In paragraph 3.2. we have already seen, that it is difficult for companies to assess the subjective factors of the balanced scorecard and follow this results up by concrete, justified actions. When including happiness on the work floor, in the form of 'job engagement' to the classic balanced scorecard, this will enlarge the subjectivity of the scorecard.

On the other hand, we have already seen that H. Rampersad, and with him many influential economists, argue that we are in a state of business where it is necessary to implement 'job engagement' into the balanced scorecard. Individuals are becoming more and more important and a management cannot simply make policy anymore without taking into account the ideas and desires of the regular employee. A good relationship between an employee and its supervisor will increase the job engagement of the employee. This will lead to greater motivation, customer satisfaction and profits (Rampersad, 2011).

Though this strategy pays attention to the individual employee, the manager stays in charge to determine the company's policy and make sure the employee acts in accordance with this policy.

In contrast to this view, trendwatchers in the Netherlands are predicting the work environment to change the other way around: the work environment will lose its hierarchy and management will not control, but only motivate and inspire. The line between private life and work will become thinner and the employee will be left a lot of freedom in arranging his or her own work life. An example for this style of working is the policy of Microsoft: people determine their own working hours in a working environment where relaxation and work go hand in hand (Bakas & Van der Woude, 2010).

Though these views are not of a strictly economic nature, they should certainly be taken into account when trying to predict the future of the balanced scorecard as a strategic management tool. The

classic balanced scorecard acknowledges the individual as an independent unit who needs to be aligned to the company's policy. The CEO of a company will probably not be able to control an employee anymore seen the changes in circumstances to more independency. Taking all these features of the balanced scorecard into consideration, first the methodology should be determined and it should be reviewed if the variable 'job engagement' could be integrated into the balanced scorecard framework.

## 4. Methodology

This thesis conducts literature research with regard to the topic of happiness in such a way that it could be integrated into the balanced scorecard. This section will discuss the literature review and the methodology behind this type of research.

Literature research can be executed in several ways and is often used to make a quality review of the literature available on a certain topic. A method often used in economic science to conduct this type of research is meta-analysis or secondary analysis. With meta-analysis the researcher re-assesses the statistical findings of prior research and therefore checks the prior findings for any errors. As has been discussed in chapter 2, the definition of happiness that will be used in this thesis is 'job engagement'. This means that the literature review of this thesis will focus on prior research with regard to 'job engagement'. The data reports and studies that will be used, mostly do not contain raw material that is suitable for statistical data-analysis. Meta-analysis is therefore not suitable as a research method for this topic (Babbie, 2010).

Another form of data-analysis that is suitable, is called systematic review. This method of literature research is often used in the medical sector to assess relationships between variables in the several medical databases. In the medical world this method is referred to as the Cochrane method which provides evidence for health care problems (The Cochrane Collaboration, 2013). Using analogy, this method will be used to discuss the literature with regard to 'job engagement'.

A systematic review is ideal for research that is facing heavy time and money constraints. It allows the researcher to assess the differences between individual studies and thereby describing the situation accurately. This will enhance the search for information and eventually make final decisions easier (National Institute for Health Research, 2013).

The systematic review will consist of stating the problem statement and research design, specifying the studies characteristics, describing the information sources, presenting the searching strategy,

explaining which studies are selected and how the data is collected, discussing possible biases and finally summarizing the data (Wardlaw, 2010).

#### 4.1. The problem statement & research design

In the medical world the problem statement of a systematic review is often stated using the PICO-method. PICO stands for population, intervention, comparison, outcome (The University of Warwick, 2012). Though it cannot be used literally with regard to job engagement, the method could clarify the problem statement:

*Table 1:* using the PICO-method to analyze the research question.

PICO- method	
<b>Population</b>	companies using a traditional balanced scorecard
<b>Intervention</b>	including 'job engagement' to the balanced scorecard
<b>Comparison</b>	the traditional balanced scorecard with the adjusted balanced scorecard
<b>Outcome</b>	improvement of reaching strategic goals

In fact, the problem statement clarifies that the variable 'job engagement' will be explored to see if it could improve the conventional balanced scorecard to help companies reach their strategic goals more efficiently.

Systematic review is in fact a form of data-analysis and therefore has the same characteristics for its research design. The goal of the research is to explore the topic 'job engagement'. The population is in fact all of the literature available on this topic and the test sample is the literature selected. It is not a random sample, because the literature is selected with the help of certain criteria. In fact it is a non-probability sample, specifically a judgment sample, where the researcher selects population members who are good prospects for information in his or her opinion (Keller & Kotler, 2009).

#### 4.2. Criteria for including studies

Before explaining the searching strategy, the criteria for including studies will be stated in this paragraph:

- Form: Reports of international, knowledgeable organizations and institutions, studies of authors specialized on this topic
- Language: English or Dutch

- Time span: recent reports and papers (after the year 2005)
- Topic: job engagement or work engagement
- Unit of measurement: micro-level

Paying attention to these elements is necessary. In this thesis, given time constraints, it has been explicitly chosen for to only consider a qualitative analysis. There will be no meta-analysis used to back the systematic review up and therefore raw data is not needed. For this reason, the single use of reports from renowned organizations and institutions is justified. Given the background of the author and supervision of this thesis, the two languages are suitable for finding sources. As has already been discussed in the introduction, happiness research is a relative new phenomenon within economics and therefore rather dynamic. Discussing reports from the year 2005 onwards will therefore cover a large field of the past research and show the most relevant information. Lastly, the terms ‘job engagement’ and ‘work engagement’ are used as synonyms in economic research and should both be covered when searching sources. In paragraph 2.3.1. it has already been discussed that ‘job satisfaction’ has another meaning in economic research and this thesis does not focus on this definition of ‘happiness’ in the working environment. This definition is explicitly excluded from the search.

Lastly, it is important to keep in mind the structure of this thesis. In the previous chapters several perspectives have been used. Chapter two has discussed happiness, starting at a macro-level and slowly shifting to a micro-level. The balanced scorecard of chapter 3 is a micro-level instrument used to assess a company’s strategic goals. It is clear that ‘job engagement’ is a micro-level variable and this will be the appropriate perspective for the rest of this thesis. Important is to keep in mind *the fallacy of the wrong level* when using the variables, like income, discussed in chapter two. When relationships between variables have validity at a macro-level, this does not always necessarily mean that these relations also exist on a micro-level (Glick, 1985). Furthermore, the *Simpson paradox* should be kept in mind. When a trend appears in two different samples, it might still disappear when these samples are combined (Simpson, 1951). Therefore, without any accumulation and meta-analysis of the accumulated sample, this cannot be tested. Further quantitative research could explore this paradox with regard to ‘job engagement’ more.

### 4.3. Data sources, searching strategy and study selection

The first database used before starting this thesis was the thesis database of the library of the Erasmus University Rotterdam to check if the topic has not been researched before. Secondly, I have elaborated on the topic ‘happiness’ on a macro level. With the information gathered in the Minor

'The Pursuit of Happiness' from the Erasmus University Rotterdam and the book of Layard (Layard, 2005) , this course provided a basic outline of the state of 'happiness research' on a macro level and furthermore a list of important economics in this field of research. In order to find further information sources I have used the internet to find the separate economists in combination with the topic 'happiness' in general.

*Table 2: findings form the search of general information about happiness.*

Name researcher & 'happiness'	Hits
Clark, A.	25.700
Diener, E.	16.500
Easterlin, R. A.	2.660
Graham, C.	18.200
Helliwell, J.	3.200
Kahneman, D.	11.700
Krueger, A. B.	3.810
Layard, R.	4.320
Veenhoven, R.	4.060

Conclusion is that the amount of information about the topic is extremely large. The hits are somewhat overlapping, because many papers have been written in collaborations of the researchers mentioned above. Furthermore, the amount of hits include patents and citations.

To be sure to focus on the essence of 'happiness research' on a macro-level I kept to the information provided in the minor. The course information mentioned the World Happiness Database of Veenhoven and the Gallup World Poll. The supervisor of this thesis mentioned the Erasmus Happiness Economics Research Organization (EHERO). With regard to the topic 'job engagement', this is mentioned as one of the specific research fields of prof. dr. Bakker (Erasmus Happiness Economics Research Organization (EHERO), 2013). Given his expertise in this field of research, the following step in the searching strategy was screening his catalogue of articles for potential studies with regard to 'job engagement'. This process lead to a pre-selection of the studies published on his website from the year 2005 onwards and containing the terms: job engagement, work engagement, happiness or/and well-being (Bakker, Articles from A. B. Bakker, 2013).

These reports and papers have been screened and the information concluded about 'job engagement' is stated in paragraph 4.4. First, the next paragraph will give an overview of the studies of Bakker, which in general have used the World Happiness Database as database for any findings, and the reports of the Gallup organization.

#### 4.4. Data collection and biases

The tables in the Appendix<sup>10</sup> show the different variables that affect 'job engagement' and the variables that are affected by 'job engagement'. The next paragraph will describe the assumptions and simplifications made in the studies. Before discussing this, it is important to pay some attention to the fact that the methods used in the studies are different. An often used method for studying this topic is a literature review, but quantitative data-analysis is also used frequently. With these research methods come certain characteristics which a researcher should keep in mind.

'Standard' Subjective Well-Being research names the memory bias as one of the major biases in happiness research. Depending on the mood of the respondent of a survey, his answer can vary (Diener E. , 1994). For instance, an employee who just had a terrible day at work, will probably react negative to a question about his job engagement. Therefore, literature review with regard to this topic is more accurate. Of course, literature reviews also have downsides. The interpretation of the researcher plays an important role when using literature. With a systematic review the available literature can be combined and discrepancies can be found.

Further research could provide more specific biases for the research with regard to 'job engagement' as a definition of employee's happiness.

#### 4.5. Summary of the collected data and measures

The definition of work engagement is stated as 'a positive, work-related, motivational state of mind, that is characterized by vigor, dedication and absorption'. Vigor refers to an active attitude at work and the mental ability to cope with difficult situations. Dedication refers to the level of enthusiasm with regard to the job. Absorption refers to the level of concentration on the job and job satisfaction (Bakker & Leiter, 2010).

The most used measurement for 'work engagement' is the Utrecht Work Engagement Scale (UWES), which covers the three engagement dimensions (vigor, dedication and absorption). Though the method is accepted in many countries, not all research shows the three elements returning in their results (Bakker & Demerouti, Towards a model of work engagement, 2008).

There are several reasons why job engagement is important. The performance of engaged

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<sup>10</sup> See Appendix Tables B1, B2 & B3.



employees is higher than that of unengaged employees. Therefore the financial situation of a company with engaged employees will be relatively better. (Xanthopoulou, Bakker, Demerouti, & Schaufeli, 2009). Engaged employees are more committed to the organization and are less likely to be absent than non-engaged employees (Schaufeli, Bakker, & Van Rhenen, 2009). Engaged employees have a positive influence on the motivation of their colleagues and contribute to a nice work climate (Bakker & Xanthopoulou, The crossover of daily work engagement: Test of an actor-partner interdependence model., 2009).

Research has also shown that leadership is an important factor influencing the work engagement of employees directly and indirectly through the increase of job resources. More job resources have a positive influence on job engagement (Breevaart & Bakker, 2013). A basic model with 'job engagement' as an important variable is the Job Demands-Resources Model<sup>11</sup>. This model simply states that job demands have a negative influence on job engagement, while job resources show a positive relationship with job engagement. Job demand refers to work overload, time pressure and emotional demands. These factors have a positive relationship with burn-out of an employee, which can be seen as the opposite of job engagement. Job resources could be job control, social support, learning opportunities and performance feedback. There is a significant positive relationship between job resources and well-being and a negative relationship between job demands and well-being (Tims, Bakker, & Derks, 2013).

It is important to notice that not only job resources influence job engagement. In fact, personal resources contribute to explain variations in an employee's well-being as well. Small fluctuations in well-being over time can sometimes only be attributed to personal factors that have not much to do with the working environment (Xanthopoulou, Bakker, & Ilies, Everyday working life: Explaining within-person fluctuations in employee well-being., 2012).

For research goals it is also important to notice that research on job engagement knows two forms. First of all trait-like work engagement (between-persons view) focuses on the question why one employee feels more engaged than the other. Secondly state-like work engagement (within-persons view) focuses on why individuals feel more engaged the one day than the other day. Lastly, research has shown that there is a positive relationship between job engagement (as well between-persons view as within-persons view) and the employee's performance. An engaged employee will work harder and this will lead to a more profitable company with more possibilities to enhance job

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<sup>11</sup> For a visual image of the Job Resources-Demands Model, see Appendix, Figure A6.

resources. This will keep the employee engaged. Working for a profitable company will also raise the level of self-confidence of the employee, which will increase personal resources and therefore keep the employee engaged. The performance of the employee is thus increased through job resources and personal resources. It works both ways (Bakker, Demerouti, & Xanthopoulou, How do engaged employees stay engaged?, 2012).

Engaged employees craft their own jobs. In fact they are possible to be responsible for creation of their own job and personal resources. This reduces costs to motivate its employees for a company (Bakker A. , Engagement and “job crafting”: Engaged employees create their own great place to work. , 2010).

Research has further shown that employee engagement accounts for a great deal of overall well-being. In fact, engagement is more effective than having free time or flex working (Harter & Agrawal, 2012). The Gallup World Poll divides ‘job engagement’ in several factors and has conducted meta-analysis to test if these separate factors of job engagement have an influence on the performance of the business units of an organization. It has been established that there is a positive relationship between these factors of ‘job engagement’ and the business unit’s performance (Gallup, 2013). Not only performance improves when employees are engaged, they also seem to bring lower company costs with them. The physical and mental benefits from feeling engaged in your job, saves the company costs (Rath & Harter, 2010).

Lastly, it has been suggested that customer engagement and employee engagement interact to determine a company’s performance. Further research on this topic is needed (The Gallup Organization, 2009).

To conclude, ‘job engagement’ is a variable that influences a lot of a company’s structure. It is affected by just a few controllable (job resources, job demands and leadership) and less controllable (personal resources) variables. The characteristics of ‘job engagement’ and research with regard to this topic, make it an eligible variable to integrate in the balanced scorecard of a company to mainly stimulate the company’s performance. In the next chapter, a possibility will be discussed how to integrate the variable job engagement into the balanced scorecard.

## 5. The adjusted balanced scorecard

Economic models are simplifications of reality. An economic model tries to simplify real-world situations, at the same time being as accurate as possible. Quantitative economic theory has been using economic models for quite a time, the demand- and supply model being one of the most well-known economic models worldwide is a good example (Hill, Griffiths, & Lim, 2008). The methodology focuses on the adequacy of the model. The adequacy can only be judged when the intention of the model builder is clear. There are two categories of models: pure or abstract models and applied models. Pure or abstract models are explanations of the logic that lies behind a model. Applied models are explicit, simplified representations of general theories and are used to apply to real-world situations (Boland, 1989).

With qualitative research it has been harder to find accurate models that are able to simulate reality. A decision tree, for example, is so simplified that it can hardly be seen as a practical situation anymore. Nevertheless, it has great use when discussing and understanding economic phenomena. Despite the difficulty of using models in qualitative research, it is believed to be a valid method to simplify reality in methods as case studies (Piore, 2002).

In this thesis a systematic review, a form of qualitative, literature research, has been conducted. Chapter 3 has discussed the theoretical framework of the balanced scorecard. In this chapter the variable job engagement will be integrated in this theoretical framework. In fact, given the fact that the balanced scorecard is unique for each company, might leave some room to wonder if one can speak of a real adjustment of the traditional balanced scorecard.

To take away any doubts: it is a real adjustment of the original model. Seen the great importance of happiness research, I do not suggest to 'just' integrate job engagement and use it for companies whenever they like. Given the state of research of job engagement and its good side-effects on a company's performance, I suggest 'job engagement' to be used as a generic variable or core outcome measure of the balanced scorecard. This means that every company using a balanced scorecard, should use this variable when assessing the company's strategic decision making. Firstly, the place of job engagement in the total balanced scorecard will be established, than job engagement in its own perspective will be discussed. Afterwards, the variable itself will be reviewed. Lastly, the personal balanced scorecard will be shortly combined with these findings. Just like the rest of this thesis, this chapter will start with the total picture and drop down to the smallest level possible.

## 5.1. The balanced scorecard: the total picture

As has already been discussed in chapter 3, the balanced scorecard has four perspectives. In fact all perspectives relate to each other. The learning and growth perspective wants to know how to arrange the internal structure of the company. For instance, how to motivate the work force. If the company succeeds in having a happy workforce and reliable production methods, this will affect the

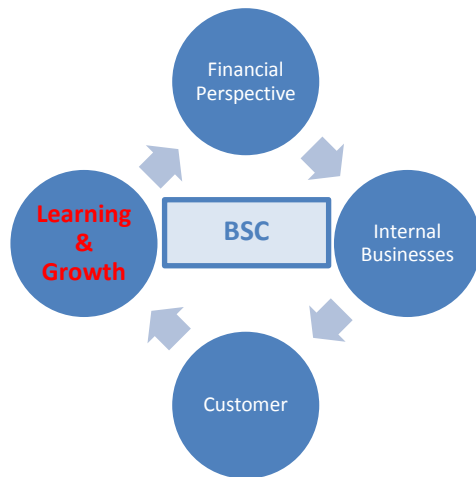


Figure 1: interaction between perspectives

next perspective. The next perspective, the internal businesses, focuses on how value is created within the company. This also involves the perspective, shows how customers perceive the company and also focuses on the interaction between employees and customers. The perspective shifts, now it is not anymore about what people internally think, but the company is perceived from the outside. Lastly, the financial perspective shows the drivers of the

company's profit, shareholder's value and performance. As has been established in chapter 4 job engagement enhances a company's performance and therefore even influences the final perspective. Job engagement is part of the first perspective learning and growing, but indirectly it influences all the perspectives and finally affects the company's performance. As we have seen in chapter 4 a good performing company leads to more job engagement by affecting the job resources and personal resources for an employee positively. When this circle functions accurately, the company will be able to achieve long term stability and growth of performance and profits. This cycle is simplified to show the effect of job engagement in particular. The original framework of the balanced scorecard defines all perspectives to influence each other simultaneously. This feature of the balanced scorecard will not be adapted, but to clarify the effect of the variable job engagement in particular, the situation is simplified.

## 5.2. The perspective view: learning & growth

When taking a closer look to the framework of the balanced scorecard, it is possible to zoom in on the different perspectives. Within each perspectives a few terms are stated to make it possible for a company to focus on the right goals and the means to get there.

Each perspective has the same four terms to fill in: objectives, measures, targets and initiatives.

As we have already discussed the overall goal of integrating the variable job engagement into the

balanced scorecard, is to enhance the company's performance. As job engagement is a variable of the learning & growth perspective, we should also focus on the goal of measuring job engagement for this specific perspective. When a company fills in the balanced scorecard, the following example might occur:

*Table 3: branching out the perspective learning & growth.*

Perspective Learning & Growth	
Objectives	Establishing a motivated and engaged work force
Measures	See paragraph 5.3.
Targets	See paragraph 5.3.
Initiatives	See paragraph 5.4.

For the perspective learning & growth the main objective is to establish a work force that is engaged in its work. Being engaged will positively affect the following perspectives and will eventually lead to the main objective: increasing performance. The measures and targets will be further discussed in paragraph 5.3. The practical solutions, like introducing a personal balanced scorecard will be reviewed in paragraph 5.4.

### 5.3. The variable view: measurement and factors

As we have seen the perspective learning & growth provides 'job engagement' the possibility to function as a core outcome measure. A core outcome measure will be used by all companies that have implemented the balanced scorecard in their strategic management system. After setting the goal within each perspective, the balanced scorecard recommends companies to find the proper measures for reaching the objective of each perspective.

The variable job engagement will be the measure for the employee's work-related happiness. As we have seen in chapter 4 the most used scale of measurement is the Utrecht Work Engagement Scale (UWES). This method of measurement uses a questionnaire in which the three elements of job engagement (vigor, dedication and absorption) are reviewed. The questionnaire has three questions for each of the elements and gives a general picture of the employee's job engagement (Breevaart K., Bakker, Demerouti, & Hetland, 2012).

This seems like an easy method for companies to assess the job engagement of its employees. It shows a lot of similarities with the measurement of general SWB. It is a form of self-assessment, taking into account positive and negative factors. At the same time this methods also has the same downsides as measuring SWB: the answers depend on the employee's mood, memory bias may occur and it is a subjective measure. One could imagine an employee being very positive about his

own attitude, scared that he or she will lose the job when being too negative. Another obstacle is that job engagement, in contrast to SWB, only covers one dimension of the person's life. This might lead to a distorted view, because, as has been discussed in chapter 4, the personal life of an employee also influences his job engagement.

To conclude, UWES is a good tool to provide a general image of the job engagement of a company's employees. The CEO of a company can easily ask his employees to fill in a questionnaire and use this information to motivate employees that seem to be less engaged. The main problem with UWES is that it is very subjective and bias might occur.

Another alternative is therefore to assess the factors that have a great influence on job engagement, namely job resources, job demands and leadership. As we have established in chapter 4 job resources have a positive relationship with job engagement. A company should have as much job resources as necessary. In contrast, job demands have a negative impact on job engagement and are one of the main reasons for burn-outs. By avoiding to high job demands, a company can not only manage to increase job engagement, but it can also reduce costs with regard to burn-outs directly. Leadership is another factor that plays an important role when it comes to job engagement. Though there is still a lot of research going on about this topic, it has been suggested that by giving more independence to an employee, this could enhance job resources and increase job engagement. A good leader is not controlling everything, but gives responsibility to his employees. The employees will feel more important in their work and as a result of that also more engaged (Breevaart & Bakker, 2013).

Problem with this factors is that they have the same disadvantages as job in engagement when it comes to measurement. The Job Resources- Demands Model measures the job resources and job demands of a company with a questionnaire, just like the UWES measures job engagement (Jackson & Rothmann, 2005). Furthermore, leadership is also a rather subjective concept that cannot be objectively measured and refers more to the practical implications of policy.

Macro-variables, like income, cannot be easily used to assess job engagement, because the fallacy of the wrong level might harm the outcomes. They are therefore not used as measures of job engagement.

The main problem of measuring job engagement and its factors is subjectivity. But then again, measuring feelings can simply not be done in an objective manner (yet). Evidently, this not mean that is should not be done at all. Job engagement is the independent variable to many other variables that rely on it. Therefore, I suggest smaller companies that use the balanced scorecard to use the UWES

to measure job engagement of its employees, when further measurement will be too costly. Larger companies and companies that are facing a lot of employees with burn-outs and stress, should not only use the UWES, but also the Job Resources- Demands Model questionnaire.

#### **5.4. The personal balanced scorecard**

The traditional balanced scorecard already pointed out the importance of the individual view within the company. Therefore it was suggested to have a personal balanced scorecard, as has been reviewed in chapter 3. H. Rampersad has suggested that to improve the job engagement of a company's employees, the company should further exploit the use of the balanced scorecard. In fact, it should become a main focus of the company's policy to make sure each employee has its own personal balanced scorecard. Afterwards, the management should find the ambitions of the individual and match it with shared ambitions within the company (Rampersad, 2011). In other words, happiness of the workforce is reached by combining personal and shared aspirations. Research has shown that it is surely important for employees to feel acknowledged within their company. This feeling of control feeds their confidence and enhances the job and personal resources of an employee.

Though the personal balanced scorecard is a great tool to enhance job engagement within the company, I believe this is not enough.

Using a personal balanced scorecard and letting the management of the company decide if the individual and shared ambitions are shared, leaves a lot of space for management bias to enter. This means that management might neglect individual ambitions that do not comply with company policy to easily. Evidently, an employee with great ambitions that is confronted with disappointment over and over again, might not feel that engaged anymore (and certainly should consider a job switch). Therefore, using a personal balanced scorecard as a tool for employees to explain their needs and wants, is not enough.

Using the variable 'job engagement' as general part of the balanced scorecard could further enhance the situation. By using the UWES scale to measure job engagement at a certain point, a company can decide its starting point. They can state for themselves: 'we have employees that are active and enthusiastic, but not really absorbed in their jobs', or any other possible combination. The management will have a clear view on which element of job engagement to focus. For small companies this might be enough. Within small companies the distance between management and employees is also smaller and it is easier to talk to each employee individually and find a way to

increase his or her job engagement.

Larger companies can use the Job Resources- Demands Model as complementary to the UWES scale. Next to stating the current level of job engagement within the company, this model could explain why the job engagement is low and what needs to be done to improve it. When job demands are too high, management can decide to decrease stressful activities. When job resources are too low, management can decide to give employees more responsibility and control.

Using the personal balanced scorecard could help the employee as an individual to get to know more about his own wants and needs with regard to his work. For the management of a company this might be hard to translate and given the recent developments in the workplace to more freedom for the employee, it might also be hard to communicate to the workforce.

Therefore measuring job engagement with the UWES and explaining the strategies the company should take with the Job- Demand Resources Model is definitely complementary to the personal balanced scorecard.

To conclude, integrating the variable 'job engagement' in a company's balanced scorecard is, given the current state of research, is feasible and desirable.

## 6. Conclusion

This thesis has reviewed the question if it is feasible and desirable to integrate the variable happiness into the balanced scorecard, given the current state of happiness research.

The past few decades, happiness research has gained importance within economics and a lot of research has been conducted lately with regard to happiness at work. This also leads to practical solutions to increase the level of happiness at work, like H. Rampersad has suggested in his book. His suggestion was to let each employee create his or her own personal balanced scorecard. The management of a company can align the individual's ambitions and values by comparing the personal balanced scorecards to the total balanced scorecard of the organization. According to H. Rampersad matching personal ambitions and values with organizational ambitions and values and integrating similarities in the company's policy will lead to an increasing happiness of the workforce.

This thesis has discussed this possibility and has derived a complementary method to achieve even more happiness at work by adjusting the theoretical framework of the balanced scorecard in a different way.



The balanced scorecard, used as a tool to achieve a company's strategic goals more efficiently, provides the theoretical framework that, has been adjusted with the variable happiness.

Starting at a macro-level, it has been reviewed that happiness is gaining more and more importance in economic research. Nations have embraced the concept of Gross National Happiness in complement to measuring a nation's Gross National Product and governments have started to implement happiness in public policies. Subjective Well-Being (SWB) is used as the most reliable measure in economic research at a macro-level, involving all areas of a person's life.

Shifting to a micro-level, a more constrained measure is used. Literature on happiness research in the working environment mentions job engagement or work engagement as the most satisfying tool to measure a person's happiness in the working environment.

The balanced scorecard itself is a micro-level tool to assess the way company's reach their strategic goals. Given the several perspectives the balanced scorecard has, the variable job engagement fits the perspective 'learning & growth' sufficiently. Though the balanced scorecards has its downsides, it is a widely used tool for companies to organize and overview their strategic decision making and translate this into tactical actions.

A systematic review has been used to explore the topic job engagement even more. Measuring job engagement is mostly done by the Utrecht Work Engagement Scale (UWES). Also factors influencing job engagement have been reviewed and can be measured by using the Job Resources-Demands Model. The variables found are job resources, job demands, personal resources and leadership. Finally, to answer the research question of this thesis, the variable job engagement is integrated into the balanced scorecard. Given the state of happiness research it is possible to adjust the balanced scorecard and include happiness. Given the importance of job engagement for a company's performance, measuring job engagement by the UWES and explaining the values with the Job Resources-Demands Model could complement the suggestion of H. Rampersad to use the personal balanced scorecard more efficiently. Eventually all these efforts could enhance the performance of the company.

## 7. Discussion

This thesis provides an answer to the research question if companies should integrate the variable job engagement into their balanced scorecard.

When using this findings for practical use, it is good to review some critical notes with regard to the findings above.

Firstly, a general remark concerning happiness research should be kept in mind. Though welfare economics has a history within economics science, happiness research in particular is a relatively new area of research. Given the information found on this topic, it is fair to say that research on this topic is mostly conducted in the few past decades. This means that most results found in this field are still under construction and there is a lot of uncertainty about the validity of results found. Any research with regard to this topic is more than welcome and might influence the results of this thesis massively.

Secondly, the balanced scorecard is, as has been stated before, a subjective measuring tool. Each company can choose its own variables which it feels to be important. In this thesis it has been suggested to use job engagement as a general variable, which will be included in all balanced scorecards. This might solve the problem, but still the measures used (UWES) will not necessarily be unified. The subjectivity with regard to the variables of the original balanced scorecard has been mentioned as a disadvantage of the tool. When adding an even more subjective variable, like job engagement, to the original balanced scorecard, this will only enhance the scorecard's subjectivity. When a company uses the balanced scorecard to for instance assign bonuses to its employees, this should be taken into consideration.

With regard to the balanced scorecard as a tool to measure performance, subjectivity might be a good element, because each company has other comparative advantages. Further research about subjectivity and unifying the variables of the balances scorecard for all companies could shed more light on this topic.

Thirdly, methodological issues play an important part in this thesis. Mainly due to time constraints literature research was the best option to conduct this research. A few obstacles passed along the way. To start with, data about this specific topic was not available. The ideal situation would be to have data of several companies using a balanced scorecard, which includes job engagement and tries to improve the company's performance with this variable. Conducting a survey with regard to job engagement with the same companies' employees, would be the next step. Afterwards, statistical

analysis could show the correlations between the different variables and the explanatory value of happiness as a part of the company's performance. Due to time and money constraints such a huge research was not possible. Instead, it has been chosen to use a research method used often in the medical world analogue to economic research on job engagement. The systematic review was the best way to find information and arrange this categorically. The main disadvantages of this method were combining information from all types of sources which could not be unified and the threat of the fallacy of the wrong level. Due to the lack of quantitative data as described above, a meta-analysis was not possible. Further research could try to provide more quantitative research on this topic and thereby pursuing to decrease subjectivity at the same time.

Lastly, this research has neglected the practical implementations of integrating the variable job engagement into the balanced scorecard. The costs, time and effort to integrate this variable in a practical sense should be reviewed before actual steps can be taken.

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## Appendix

### A. Figures



Figure A1: the figure shows the important features of the holistic marketing concept. The customer is the main focus of the concept and internal marketing is of great importance. Internal marketing concerns the employees of a company and define the infrastructure a company possesses.

(Source: <http://www.marketingholistics.com/marketing.html>)



Figure A2: the original balanced scorecard as introduced by Kaplan & Norton in 1992. The balanced scorecard has four perspectives that together provide the company's vision and strategy.

(Source: <http://www.balancedscorecardreview.com/pages/bsc-concept/>)



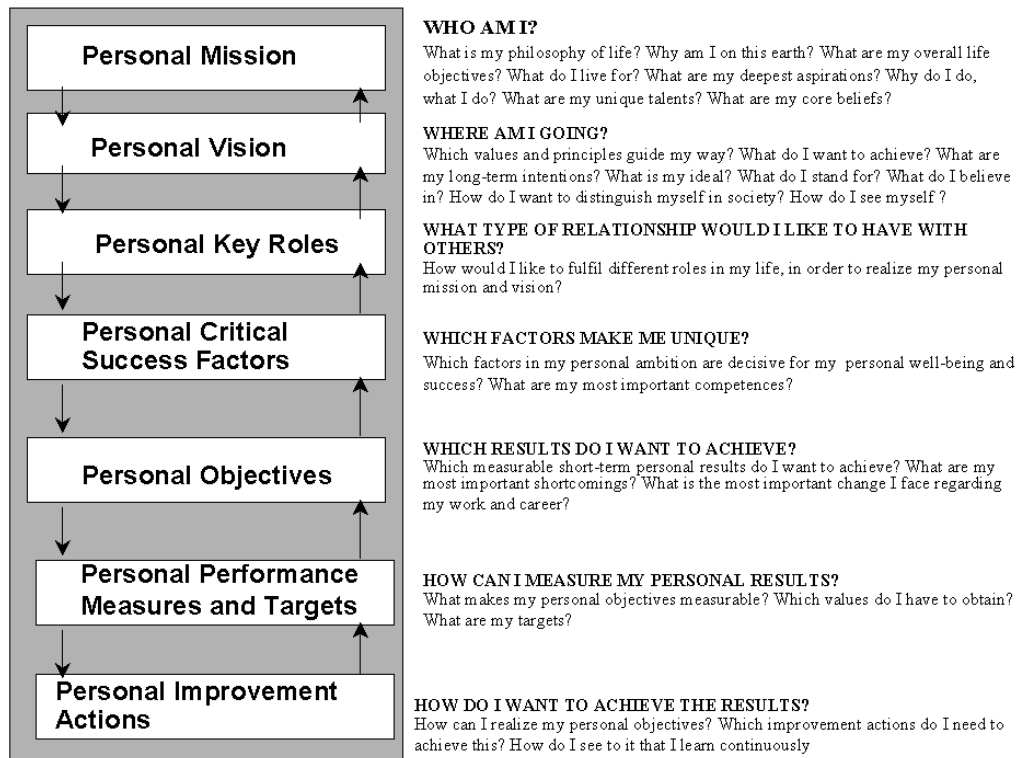


Figure A3: H. Rampersad uses this personal balanced scorecard to make employees more aware of their ambitions and values. Aligning this with the shared values of the company as a whole, will enhance the employee’s engagement in his opinion (Rampersad, 2011).



Figure A4: After each employee has established his or her personal balanced scorecard, the management of the company will compare these balanced scorecards to the total balanced scorecard of the company. In other words, management will align personal values and ambitions with the values and ambitions of the organization as a whole. According to H. Rampersad this will increase the happiness of employees (Rampersad, 2011).

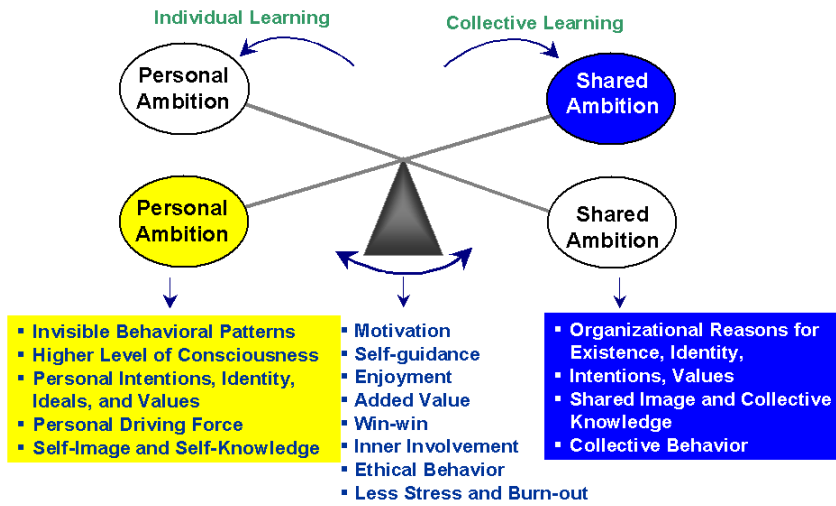
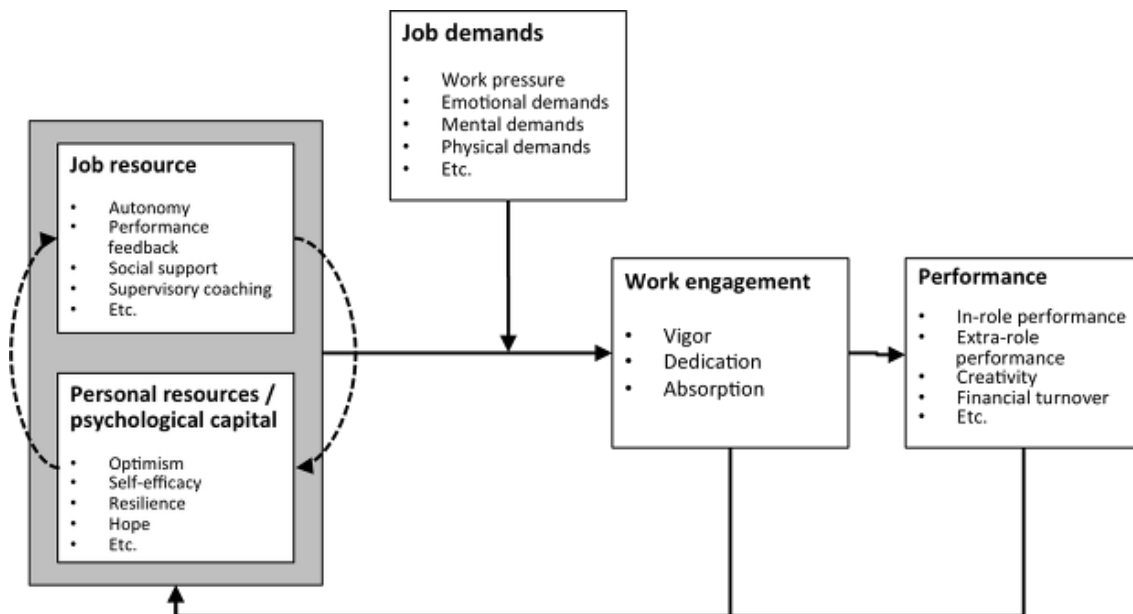


Figure A5: This figure states the positive effects H. Rampersad suggests combining personal and shared ambition will have on the employees of a company (Rampersad, 2011).



JD-R Model of Work Engagement (Bakker & Leiter, 2010, p. 187)

Figure A6: The Job Resources- Demands Model explains the intervening effects of job resources, personal resources and job demands on work engagement and indirectly on the company's performance (Bakker & Leiter, Work engagement: A handbook of essential theory and research., 2010).

## B. Tables

Table B1: The search for the variable job engagement.

Variable	Studies	Type of Study
<b>Job/ Work engagement</b>	Bakker & Leiter (2010)	Literature review

Table B2: The findings for the variables that influence the dependent variable job engagement.

Independent variables (Job engagement = dependent variable)	Studies	Type of study
<b>Job resources (+)</b>	Tims, Bakker & Derks (2013)	Longitudinal, N=288
<b>Job demands (-)</b>	Tims, Bakker & Derks (2013)	Longitudinal, N=288
<b>Personal resources (+/-)</b>	Xanthopoulou, Bakker, & Ilies (2012)	Literature review
<b>Leadership (+/-)</b>	Breevaart & Bakker (2013)	Literature review

Table B3: The findings for the variable that are being influenced by the independent variable job engagement.

Dependent variables (Job engagement = independent variable)	Studies	Type of study
<b>Job performance (+) (individual)</b>	Xanthopoulou, Bakker, Demerouti & Schaufeli (2009) & Bakker, Demerouti & Xanthopoulou (2012)	Multi-level analysis Literature review
<b>Performance (+) (business unit)</b>	Gallup Organization, February 2013	Meta-analysis, N= 263 studies
<b>Absence (-)</b>	Schaufeli, Bakker & Van Rhenen (2009)	Longitudinal , N= 201
<b>Motivation of co-workers (+)</b>	Bakker & Xanthopoulou (2009)	Diary study, N = 124
<b>Job resources (+)</b>	Bakker, Demerouti, & Xanthopoulou (2012)	Literature review
<b>Personal resources (+)</b>	Bakker, Demerouti & Xanthopoulou (2012)	Literature review
<b>Job Crafting (+)</b>	Bakker (2010)	Literature review
<b>Overall well-being (+)</b>	Harter & Agrawal (2012)	Statistical Analysis, N = 4.894
<b>Company Costs (-)</b>	Rath & Harter (2010)	Literature review