STANFORD BUSINESS GRADUATE SCHOOL OF

CASE: M-377
DATE: 11/24/18

HOW TO CULTIVATE PURPOSE (AND AUTONOMY, COLLABORATION, AND EXCELLENCE) IN COMPANIES

INTRODUCTION

Innovation and digital transformation—fancy ways to say "a ton of changes"—have become the new normal in business. Rigid rules can't adapt quickly, so leaders need a flexible mindset that can adjust when the picture shifts. They need the emotional intelligence to connect more deeply with their teams, partners, and customers, and the mental agility to work with those groups to solve complex problems nimbly. (Not asking much, we know.)

How do you achieve this? We argue that the key is to anchor on meaning and purpose, fueled by humor and levity.

Employees and customers need a sense of meaning and purpose—the feeling of being part of a mission than is bigger than themselves.

There are (at least) three benefits to this approach. Anchoring on purpose:

1. Is associated with greater happiness in the long run.[1]
2. Boosts health. Those who feel connected to meaning and purpose are healthier, tend to live longer,[2,3] and even sleep better at night.[4]
3. Increases engagement and job satisfaction.[5] Those who feel connected to meaning and purpose at work are more engaged, work harder, and stay longer.

Sophia Pink, Sara Gaviser Leslie, Jake Poses, Debra Schifrin, and Stanford GSB General Atlantic Professor of Marketing Jennifer Aaker, and prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

People want to be **valued members** of a **winning team** on an **inspired mission**. But here's the hitch: Although most CEOs think purpose is important for their organizations, the majority say they do not know how to harness or activate it.

Activating purpose requires (of course) an acronym—PACE: Purpose, Autonomy, Collaboration, and Excellence. These four principles provide guidelines to keep employees and customers happy, satisfied, and contributing to the organization.

In this case study, we'll share examples of how to activate PACE in employees and customers. At the end, we'll provide five examples of companies and organizations who successfully activated these principles.

What are Purpose, Autonomy, Collaboration, and Excellence?

Purpose: Feeling that you are part of something meaningful. This is achieved when you feel you are part of something bigger than yourself, and when shared goals matter significantly.

Autonomy: Perceiving that you are in control of your future path, able to work on things you are good at, and learn new skills. This is achieved when you feel you have the trust from yourself and others to make decisions critical to your work.

Collaboration: Cultivating meaningful relationships. This is achieved through shared experiences where collaboration is productive, innovative, and/or fun.

Excellence: A feeling of forward momentum and improvement. This is achieved when you feel valued and see the concrete, measurable, and positive differences that your actions have on others.

How Companies Can Activate PACE for Employees

Purpose:

People will often work harder for a cause other than money. For example, one research study offered lawyers compensation, around $30 per hour, for providing legal services to needy retirees. Although the lawyers rejected the offer to receive nominal payment for their time, they were willing to provide these services for free. This seeming irrationality—the willingness to work for free while being unwilling to receive payment for the same task—occurs because market and social environments intersect in an unusual way. When money was offered, the lawyers used market norms to conclude that $30/hour was not fair compensation for their time. When money was not mentioned, however, they used social norms—i.e., helping those less fortunate—to make their decision.[6]

By giving employees the opportunity to provide their services for free and taking them out of a market environment, companies may find that employees become less selfish, more collaborative, and more helpful. Google gains a tremendous amount of goodwill from employees by changing their relationship from a market relationship to one governed by social norms. Offering free food, child care, exercise rooms, and flextime are some of the ways Google builds relationships with employees. When the company then asks these employees to attend out-of-town meetings at a moment's notice or work long hours to meet a deadline, they are less likely to balk at these requests because they feel their employer has upheld its end of a social contract.[7]

Companies can address employees' frustration over a lack of fulfillment in their jobs by engaging them in philanthropy. Since, despite the evidence, it is hard to convince people that money does not buy happiness, some researchers suggest we should take the drive for money as a given and then shift how people spend it.[8] One way to do this is for companies to offer employees the opportunity to contribute to social good causes through corporate giving programs. They increase the attractiveness of these programs by offering matching gifts, or even the ability to help determine where the dollars go. In this way, employers can actually have a role in making their employees happier. For instance, when researchers followed people after they received bonuses, they found that employees got no meaningful boost in happiness when they spent their money on material things—clothes, electronics, and furniture. However, by giving even a small amount to charity, they felt better.[9] One study found that individuals are four times more likely to be loyal to a social good company, and would accept 14 percent lower pay to work for a company that engages in social good.[10]

When companies emphasize the social aspect of their relationship with employees, they not only instill meaning in their employees' work but they can also build employee loyalty, flexibility, and a willingness to pitch in.[11] For instance, employees at the drug company Pfizer research, develop, and market prescription pharmaceuticals. Instead of focusing on these routine aspects of work, Pfizer puts forth a mission of "working together for a healthier world." This mission enables Pfizer employees to feel they are working towards a higher goal and doing social good. While the work may be no different under a mission stating, "We find cures for diseases," the idea of "working together" and doing it altruistically "for a healthier world" allows employees to see themselves as engaged in a social relationship with their company and as partners in reaching a higher goal.

Activities that enable employees to take part in projects that create social good, such as rebuilding a home, volunteering at a school event, or participating in disaster relief efforts, also give employees the opportunity to interact with colleagues in a different social environment. While workplaces are, of course, social environments, doing volunteer work in almost any capacity offers a new experience as well the chance to feel good about oneself, excited, proud and active—all emotions that are strong predictors of happiness.[12]

Some companies tend to steer clear of promoting social interaction as a means of creating identity and meaning because they view socializing as a distraction from work.[13] The importance of this social interaction should not be ignored because it is vital to employees' happiness and engagement. Adding two hours of social time on the weekends, for instance, could increase average happiness by 2 percent.[14]

Getting teams to work together both in and out of the office may lead to more stability as employees get to know each other better and create common goals outside of traditional work interactions. Just as soldiers in army units with stable membership reported greater social support, better physical and mental health, and more career satisfaction than units with changing membership, companies with stable employment might experience the same benefits.[15] Further, these close relationships could also have the effect of reducing stress at work.[16]

Autonomy:

Companies can also focus on building autonomy—allowing their employees to make choices the employees believe will best set them, and therefore their company, up for success. Asana, a Silicon Valley start-up focused on task project management software, gave each employee $10,000 to spend on office setups. The company also allowed employees to opt for different executive and life coaches, depending on the skills they were trying to acquire.[17]

Google also designed for autonomy by encouraging employees to spend 20 percent of their time working on projects that were interesting and meaningful to them—but these were tasks that their managers had not specifically assigned. Employees could spend time on projects they personally felt were important to the company or from which they derived personal satisfaction. The 20 percent program kept employees happy; it improved their output in the other 80 percent of their time and has led to the development of products and features eventually brought to the market, including Gmail, Google's e-mail product.

Zappos arranged a system to give employees some control over their salary. The company gave employees a small pay raise for each of the 20 Zappos "skill sets" they mastered. Employees could choose to master as many skill sets as they wanted, or could opt not to master any, and remain at the same pay level.

Collaboration:

Cultivating meaningful relationships among employees is an important driver of happiness and brings rewards back to the company as well. If companies foster these relationships in a fun way, it will maximize the impact. One example of a company that did this is BabyCenter, which guided mothers-to-be through their pregnancies and created an online and in-person community for its millions of customers.

Every six weeks, BabyCenter took employees off their regular jobs for three days to participate in BabyCenter Innovation Days. Amid pizza parties at the beginning and celebratory ceremonies at the end, BabyCenter employees worked across departments—teaming up with people they had never worked with before—to come up with ideas they were passionate about that drove the company forward. Employees felt energized and refreshed by these days and developed long-lasting, meaningful relationships.

To foster internal collaboration, Zappos encouraged employees to socialize outside of work, and required managers to spend 10 to 20 percent of their time hanging out with their team members. Zappos also published its Culture Book annually; it was made up of employees' thoughts on what the Zappos culture meant to them. The company shared the book both internally and externally, to help employees to feel like they were having a shared experience.

Happiness could also be important for employee retention; whether employees had meaningful relationships with their managers or co-workers could play a critical role in the decision to stay rather than move on to another job. As one adage suggested, "People leave managers, not companies."[18]

Excellence:

Companies that enable employees to have a measurable impact within the organization and on customers create another form of happiness. For example, JetBlue fostered a non-hierarchical culture to allow as many employees as possible to have an impact. In March 2012, a coordinator (a first-level management position) came up with an idea for a free publicity stunt. This successful stunt went from conception to execution in just a few hours, as the idea did not have to go through multiple layers of bureaucracy to get to the people who could make it happen.

Implementing mechanisms that make employees feel valued is another driver of happiness. A company that did that well was Kelmar Safety, which managed a "How's My Driving?" program. When customers dialed a 1-800 number to give drivers compliments and thanks, the company made sure to pass these compliments along to the drivers—unlike the practice in many other companies, where customer input reached management, rather than employees.[19]

Google made employees feel valued through programs such as spot and peer bonuses. The company paid particular attention to its employee survey, giving employees the feeling they could make a real difference in the company. Google also offered enrichment classes in subjects that could lead to employee career advancement, while its rapid growth meant employees experienced a sense of personal growth along with the company.

For employees, happiness might come from the feeling of progress and momentum, both in their company and in their own career trajectories.

How Companies Can Activate PACE for Customers

Purpose:

Charitable giving was one tried-and-tested way to promote consumer happiness, just as it was with employee happiness. Companies could use gifts to cultivate a positive public image and warmth, which would then likely increase customer spending.[20] Teenagers with favorable impressions of a company's philanthropy were three times more loyal than those without a positive impression of a brand. Further, 90 percent of teens would switch to a brand affiliated with a good cause if price and quality were equal.[21] And the impact could be greater still—beyond creating a positive impression, involving employees in corporate giving could enable these employees to experience greater well-being and higher satisfaction than employees with no influence over the company's spending.[22]

In some cases, charitable giving can be used even more effectively when tied to a purchase or other specific action performed by a customer. Companies could engage customers by giving them an option to make a contribution at the point of sale or telling them a portion of their purchase price will go to a company's charitable activities.

The Gap's "Give and Get" program, for example, allowed customers to allocate a portion of their purchases to the nonprofit company of their choice and inspired them with the tagline, "Be what's possible." Pepsi's "Refresh" project was another example of a corporate effort intended to help people and companies working on social good projects both large and small—while positioning the Pepsi brand as a catalyst for optimism. Anyone could submit a simple application for funding, and consumers could vote online to steer the Pepsi support for social good projects. In the second iteration of the Pepsi Refresh Project, Pepsi created an even closer link between the donations and purchase, giving consumers a code for extra "power votes" under the cap of each bottle of Pepsi and Diet Pepsi.[23]

Similar to the Pepsi Refresh Project, American Express initiated the "Members Project," inviting Amex cardholders to propose ideas for a project that "can make a difference in the world." Members voted to determine which project would receive $2.5 million from the company. Customers and the corporation became partners in doing social good, a move that helped increase customer loyalty and improve the corporation's reputation.[24]

Innovative corporate social good projects could generate enormous dividends for a brand. They could enable the brand both to exude warmth and also increase the amount of time customers spent with the brand. The more time consumers spent with a brand, the more engaged they became, and the more they might then feel that the brand represented them as individuals. Then, when brands drew consumers' attention to their time spent on a product and the experiences gained with a brand, companies were able to drive feelings of connection between consumers and their brand of choice.[25]

Warmth often was one emotion related to happiness, but fostering feelings of warmth in your brand was not always positive for the bottom line. For starters, customers might not be prepared to see corporations as cultivators of social good. Companies that attempted to communicate their greater purpose had to contend with the stereotypes that surround both nonprofit and for-profit entities; people tended to perceive nonprofits as being warmer than for-profits but less competent. Perceptions of competence could drive the willingness to buy, which means that consumers were often more eager to buy a product from a for-profit than a nonprofit.

One study asked customers to describe their views on nonprofit and for-profit companies. When consumers reviewed Internet-based businesses with web addresses ending in dot-org, such as donorschoose.org, they perceived the company as caring and worthy, but without a high level of competence. However, studies of several firms showed that consumers perceived competence as a better predictor of global endpoints (e.g., willingness to buy) than warmth. Admiration for a firm, however, was a distinct driver of buying intent. Thus, companies might need to find a way to emphasize both competence and warmth. If they could do that, they might be able to increase customers' admiration, which drove buying intent.[26]

Autonomy:

Companies like Zappos had identified one way to drive happiness: Give consumers autonomy. Companies could create these feelings of autonomy by giving people tools to personalize their experiences. Nike, for example, decided to offer customizable sneakers. Similarly, health care companies incorporated tools to enable users to access their charts, schedule appointments, or speak with physicians, making a previously inaccessible industry more transparent, while giving patients more control over their own care. All of these methods increased the amount of time that customers spent with a brand—and this, in turn, helped drive customer engagement.

In a phenomenon dubbed the "IKEA Effect," research demonstrated that self-made products (i.e., items consumers built from kits they purchased from IKEA) increased perceptions of value. Consumers were happier with their self-made products than similar ones built by experts. However, this added labor only led to increased happiness when it resulted in the successful completion of tasks. The "IKEA Effect" disappeared for consumers who did not complete their projects.[27] The implications of the "IKEA Effect" should serve as a warning for companies trying to create autonomy for their consumers—one approach would be to give consumers some rope, but try to avoid having them trip and fall.

Collaboration:

BabyCenter was a place that cultivated relationship building between customers and the company as well as between customers themselves. The company had a robust website that offered advice and fostered a two-way dialogue with customers. BabyCenter also had BabyCenter Birth Clubs, which connected women at the same stage of pregnancy together and facilitated meetings between them. Long-standing friendships came out of these clubs.

Zappos used the telephone as a relationship-building tool. The company did not compensate telephone customer service operators based on the number of calls they handled; their instructions were to spend as much time with customers as it took to resolve their issues. Zappos said these conversations allowed employees to develop a personal emotional connection with the customer, which helped build the brand. Zappos also capitalized on the latest social media trends, including Twitter. CEO Tony Hsieh's @Zappos account had over 1.65 million followers. The company received numerous e-mails in which customers said they decided to buy from Zappos that day because they were following the company on Twitter. They made comments such as, "I feel like I know you."[28]

Beauty Talk, cosmetics vendor Sephora's interactive website, enabled current and potential customers to communicate with and ask advice from other users and beauty experts. As customers built relationships with each other, they found the website to be a safe and fun place to ask each other personal beauty questions they probably did not want to ask elsewhere. There were certain customers giving advice who earned the title "Beauty Mavens" because they had become trusted sources of information and guidance for other users.

Excellence:

Companies needed to identify customers' emotional goals and create the sense that spending time with the brand will help them achieve those goals.

As mentioned earlier, when customers participated in a company's social good projects, they would feel the impact of their actions and connect that positively to the brand. Another way to design for impact was making customers feel valued by providing customer perks and a voice—for example, through an interactive website or blog. Ideally, companies looked to develop a low-cost, high-touch strategy to maximize this goal.

Companies could also promote happiness by making customers feel they were part of its forward momentum—part of a wave of excitement, progress, and drive toward excellence. Being associated with such a brand could make customers feel they were part of a special club of people "in the know." This could be especially true for niche brands and products, but applied to all brands. For example, Apple has capitalized on customers' desire to be at the forefront of technology and innovation, and customers were willing to pay more to be a part of that movement. Similarly, Whole Foods shoppers were willing to pay more for food from a company they believed to be at the forefront of a new food movement featuring organic produce and promoting local farms.

Lastly, companies could increase customers' feeling of impact by listening to and acting on customers' complaints, compliments, or other issues. For example, a JetBlue customer showed up at check-in with a box that contained a folding bike. Even though the box fit the weight and size requirements for check-in luggage, JetBlue charged him a $100 bike fee. The customer tweeted his dissatisfaction, and that night JetBlue changed its policy on folding bikes and told the customer it was refunding his fee.

JetBlue also enabled customers to have impact through its volunteer panel of 10,000 to 12,000 frequent fliers. The company turned to the panel for feedback on its ideas and programs. When JetBlue was in the process of naming its new premier program, the airline presented its idea to the panelists and they hated it. Because of this feedback, JetBlue went with a different name.

FIVE CASELETS: PACE IN COMPANIES AND ORGANIZATIONS

Here are five examples of companies and organizations who successfully used elements of the PACE approach.

1. PACE in the U.S. Military

Organizations looked to create purpose by connecting people with something larger than themselves. For the U.S. military, this was the key factor that the 1.4 million-person organization used to drive happiness. Many of the military's traditions and institutions aligned with the objective to connect men and women to a higher goal.

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

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

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

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

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

Excellence:

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

Measuring PACE:

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

The Downsides of PACE:

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

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

2. PACE at Thumbtack's Team Philippines

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

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

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

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

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

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

The nature of the work allowed team members to fit their work into their family schedules and other commitments.

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

Collaboration:

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

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

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

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

Excellence:

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

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

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

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

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

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

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

3. PACE at Indiegogo

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

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

and fearlessness. Ringelmann said its mission and core values unified and strengthened the company.

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

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

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

The idea was to institutionalize this process, and Indiegogo was working on finding a balance between allowing employees to follow their passions and making sure the company completed needed tasks.

Collaboration:
To foster collaboration, Indiegogo believed that it needed to measure employee happiness. The company conducted employee happiness surveys every two months, in which employees ranked how they felt about statements on a scale ranging from "strongly disagree" to "strongly agree." The questions remained constant, allowing Indiegogo to capture trends over time. The results of these surveys significantly influenced how Indiegogo designed its operations. A big shift came after the survey found company communications consistently scored the lowest. Employees reported that departments were siloed, with each group operating independently instead of together. In response, the company revamped its way of working by building cross-functional teams, which allowed the whole company to give input on each initiative. This restructuring changed the whole workplace dynamic. For example, employees got up more often from their desks to go across the room and speak to people in other departments, making employees feel they were all part of the same team.

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

Excellence:

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

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

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

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

Measuring PACE:

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

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

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

The Downside of PACE:

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

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

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

4. PACE at Salesforce.com

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

Purpose:

Salesforce.com created a sense of purpose by having every employee fill out a five-page document each year that helped them focus their goals and align those goals with the company's overall mission. When he founded the company, Marc Benioff devised a document, which was called V2MOM—"vision, values, methods, obstacles, and measurement."[29] Team members said the process of aligning themselves and their goals with the overall mission helped make everyone feel they were part of achieving that mission, which was: "We are successful if our customers are successful." This clear mission was frequently repeated in the halls of Salesforce.com.

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

Autonomy:

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

Collaboration:

One of the ways Salesforce.com cultivated collaboration was to connect employees to one another virtually. Salesforce.com developed its own internal social network to help employees connect virtually. *Chatter*, which eventually became an externally marketed product, allowed employees to quickly find answers to their questions and generally feel more connected to each other. This type of social media vehicle enabled peoples' personalities to play out on a public stage. It was also scalable in a way that e-mail and physical interactions could not be.

Salesforce.com put considerable thought into setting up its off-site meetings to encourage social connections. For instance, the physical layout was designed to increase interactions—employees switched tables every day and were assigned exercises to create team bonding and networking. The company kept the agenda light, leaving plenty of time for socializing.

Excellence:

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

Measuring PACE:

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

The Downsides of Happiness:

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

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

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

5. PACE at Ferrari

Ferrari, an elite Italian automobile company, sold 7,200 sports cars in 2011, each with an average price tag of €200,000. That year the company had record sales, with revenues of €2.2 billion, up 17 percent from 2010, and profits of €310 million, up 9.5 percent. Brand licensing accounted for €40 million euros, with products that ranged from sporty Puma clothing and shoes for racing fans, to luxury products such as Vertu mobile phones, to electronic games for various devices with Sony, Microsoft, and Electronic Arts. Ferrari had four main goals: hire the best people; make the best products; extend the company's global reach; and be victorious in Formula One—the most prestigious racing series, where Ferrari could boast unprecedented success since the Formula series started in 1950. The company did not market its product; the marketing came from its Formula One victories.

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

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

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

***Collaboration*:**
Ferrari worked hard to build a company that was employee driven, rather than the other way around. Salaries were slightly higher than at similar companies, but above all Ferrari provided important benefits. For example, the company helped its employees get the best interest rate possible on a first mortgage by directly negotiating with banks. The company also provided inexpensive flights for employees with family outside the area to get home on weekends, and offered free summer camp and school books for children of employees. Employees had an 8 a.m. to 5 p.m. work day with a one-hour lunch in the factory restaurant, and the company had a sustainable environment with trees and vegetation inside and outside the building to create a pleasant atmosphere. There was also a doctor's office at the headquarters with free medical facilities for employees and their families.

***Excellence*:**
Ferrari designed multiple ways to drive employees toward excellence, including a yearly competition among its 1,500 blue-collar workers (mostly skilled workers involved in all the production processes) to come up with the best idea to improve the process or the product.[30] The prize was a weekend for two away in another city like Vienna, or a similar type of prize. Ferrari Director of Communications Stefano Lai said the employees did not enter the contest simply because of the prize, but because it gave them a sense of ownership and pride to help the company to succeed. Through a robust safety reporting system, employees also played an important role in keeping the accident rate low. In addition, the first public demonstration of a new Ferrari model was inside the company for employees—to show them the fruits of their labor before everyone else in the world got to see the latest car model.

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

MAKING IT HAPPEN: A PACE CHECKLIST

So how should companies design for PACE? To start, here is a checklist of things to keep in mind.

Activating PACE in Employees

Purpose:
- Do employees understand the mission of the company?
- Is our mission attached to a higher purpose or goal?
- Is each employee's role sufficiently tied to that mission and higher purpose?

Autonomy
- Do employees feel they are in control of their career path?
- Do employees feel they have trust in themselves and from influential others to make critical work decisions?

Collaboration
- Does each employee have at least several social connections at work?
- Does the company foster social connections—especially those of work-related teams—at and around work?

Excellence

- Do employees feel valued by the company and customers?
- Do employees see a measurable impact of their work on others?
- Do employees feel energized?
- Do employees feel they are moving toward excellence—personal and company-wide?
- Is each employee challenged—but not overwhelmed—in his or her role?

Activating PACE in Customers

Purpose

- Is our brand affiliated with a higher purpose (over and above profit)?
- Are customers able to be a part of this higher purpose?

Autonomy

- Do our products and services give the consumer sufficient autonomy to make decisions?
- Are tools in place to allow consumers to customize their experiences?

Collaboration

- Do you have an effective way to communicate with customers and allow them to communicate with other customers?
- Is there an avenue for two-way dialogue with customers?

Excellence

- Do consumers want to spend time with our brand?
- Do we demonstrate we have competent products and services?
- Do customers feel the company is moving forward and that they are part of this momentum?
- Do customers feel the company is continually improving toward its goal of excellence?
- Do our products and services build up the consumers' own confidence?
- Do customers feel valued?

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