

Apparently, Money CAN Buy Happiness...?

Description

Conventional wisdom says that money can't buy happiness.

Indeed, happiness studies suggest that there is some truth to this. Case in point, the [Princeton study](#) on the \$75,000 threshold (and while you're at it, check out the [WSJ bit](#) on how much money you need to make to be happy in your city – which might explain why there seem to be a lot of cranky folks in NYC).

Of course, the reality is a little more nuanced.

Research in the last couple years suggests that money actually *can* buy happiness – and even improve performance.

But only if you spend it on the right things!

Personal vs. prosocial spending

A team of researchers from the University of British Columbia and Harvard Business School examined the happiness level of 16 employees one month before receiving a bonus from their company – and then again 6-8 weeks afterwards.

The researchers also collected data on what the participants spent their money on. Bills, expenses, rent, and purchases for themselves were categorized as “personal” spending, while buying things for others and donations to charity were considered “prosocial” spending.

So what do you suppose was the best predictor of happiness 6-8 weeks after receiving the bonus? Was it the dollar amount of the bonus (the average bonus was ~\$5000)? Or what they spent their money on?

The latter, as it turns out. Indeed, the employees who spent more of their bonus on prosocial spending were happier than those who spent more of their bonus on themselves ([full paper here](#)).

Sport performance

Where this literature starts to get even more interesting, is when we take a look at how personal vs. prosocial spending impacts team performance.

The same researchers [studied 62 students in an 11-team recreational dodge ball league](#).

Teams were randomly assigned to either a prosocial spending condition or personal spending condition.

Within each team, one-third of the team members were randomly selected to receive \$20 to spend over the following week.

Those in the *personal* spending condition were told to spend the money on themselves, while the participants in the *prosocial* condition were told to spend the money on a teammate (selected at random by the researchers).

Two weeks later, the researchers calculated the teams' winning percentage over the course of the study.

Interestingly, the teams with players who spent money on each other performed better than the teams which spent money on themselves. Put in terms of dollar figures and wins, the researchers found that...

“...every \$10 people people spent on themselves led to a two percent decrease in winning percentage, whereas every \$10 spent prosocially led to an 11% increase in winning percentage.”

Sales performance

The researchers also conducted a similar study with 88 sales professionals at a Belgian pharmaceutical company.

Once again, the data suggested that spending money on fellow team members improves performance of the group, while spending money on oneself does not.

In terms of dollars in and out,

“...for every \$10 USD given to a team member to spend on herself, the firm gets just \$3 USD back — a net loss; because sales do not increase with personal bonuses, personal bonuses are wasted money. In sharp contrast, for every \$10 USD given to a team member to spend prosocially, the firm reaps \$52 USD.”

Chemistry

How exactly does spending money on others lead to improved performance?

It's not entirely clear, but imagine what an unexpected coffee, bouquet of flowers, or piñata (seriously, that's what one of the dodgeball team members gifted to another) might do to improve chemistry within a team or group. How might teamwork, cooperation, engagement, and the willingness to have each others' backs change?

We've all been in ensembles large and small where we felt connected and engaged with each other – and others in which we felt like a random collection of pieces that didn't fit quite right, even if it made sense on paper. I think there's a lot to be said for such chemistry, and it's certainly something we *feel*, even if it's difficult to quantify at times.

How might you surprise a colleague or "teammate" this week in your own life?

Take action

Check out Michael Norton's entertaining TED talk on why we're spending money on the wrong things.

And his interview on [how to use our money to get more happiness per dollar](#).

photo credit: [thefuturistics](#) via [photopin cc](#)

Date Created

November 2013