Retirement Redefined

Only one out of four executives (25%) defines retirement as never working again.

SOURCE: MERRILL LYNCH

develop a more holistic measure of progress. Similar efforts are under way in Italy, Australia, South Korea, Canada and the United States.

The effort to use happiness as a measure of a society's productivity on a macro scale is paralleled and bolstered by research on the micro level, which shows that being happy at work actually makes individuals more productive. In a recent study done for Gallup using a longitudinal database of 2,178 business units in 10 large organizations, the researcher James Harter "found evidence supporting the causal impact of employee perceptions on bottom-line measures" like customer loyalty, employee retention, revenue, sales and profit. In a related finding, the Gallup-Healthways well-being index showed earlier this year that Americans of all ages and income levels felt less happy at work and more disengaged from what they do than ever before. Gallup found that this disengagement correlated with lower productivity and poorer health outcomes and cost companies an estimated $300 billion annually.

The Harvard Business School professor Teresa Amabile and the researcher Steven Kramer, co-authors of "The Progress Principle," also found a causal relationship between happiness and productivity in their research. Over the past decade, using data from daily diary entries of 238 professionals in seven companies, they charted each person's psychological state and found that it had a profound impact on that worker's creativity, commitment, collegiality and output.

"Most of us believe that if you achieve success, you will be happier, but that's backward," said Shawn Achor, author of "The Happiness Advantage." "A decade of scientific research shows that happiness fuels success. Your brain, when positive, performs significantly better than when you are negative or stressed. Your intelligence and energy level rise. You are more resilient and more productive."

If, in short, happiness is both the ultimate goal of productivity and a means to achieve it, then it is not an outlandish notion to suggest that organizations and societies should gauge their success, at least to some extent, by the well-being of their people.

In Search of

Not since the 1980s, when Japanese production methods demonstrated just how complacent and inefficient U.S. companies had become during their decades of post-war dominance, has American industry seemed as vulnerable as it does today. So said a recent Harvard Business School survey, which warned that the competitive threat America now faces is infinitely more complex because it comes not from one, but many nations with growing strengths and diverse capabilities. What's more, global enterprises are far less invested in the United States, or in any single location, than they were three decades ago, and the U.S. government is more fiscally constrained and politically gridlocked than it was then.

The latest Global Competitiveness Report from the World Economic Forum reached essentially the same conclusion. "The U.S. has continued to go down in the (competitiveness) rankings," said Jennifer Blanke, lead economist and director at the WEF. "There have been a number of weakenings across various areas, particularly related to the fiscal environment and the apparent inability of policy makers to really deal with that issue."

The WEF report was based on data from 142 economies contributing 98 percent of the world's gross domestic product and supplemented by an opinion survey of more than 15,000 executives worldwide. The Harvard survey was based on

a New Competitive Normal

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Workers at Foxconn, China.

not only the opinions of 10,000 alumni, but also the decisions they either made or anticipated making while leading a range of organizations, from startups to global multinationals, in every economic sector.

Both studies were quick to acknowledge America's strengths: a prodigious ability to innovate, an excellent university system that collaborates well with the business sector in R&D and the sheer size of its domestic economy. However, the studies also concur on America's potentially crippling negative factors: burgeoning public debt, burdensome regulations, an onerous tax code and a primary education system that is lagging much of the world in teaching basic skills.

Three out of four respondents to the Harvard survey expected U.S. competitiveness to decline over the next three years, and many were considering moving business activity out of the U.S. The most commonly mentioned alternative destinations were China, India, Brazil, Mexico and Singapore, but the full list extended to 146 countries. The most commonly mentioned reason for moving? Seventy percent were seeking lower wages.

Without systemic changes, the United States' ability to compete in a global economy will continue to wane.

Although the U.S. still leads the world in research and development, the gap is narrowing. A recent National Science Foundation report said the United States is rapidly losing ground to Asia, and a recent study by the Battelle Memorial Institute predicted that China's R&D

spending will match that of the U.S. by around 2022. Of the Harvard survey respondents who were contemplating moving company activities out of the U.S., 42 percent said they were thinking about moving research, development and engineering operations.

> **A recent report from The Boston Consulting Group predicted a U.S. "manufacturing renaissance" over the next five years to the tune of an added $100 billion in G.D.P. and 2 million to 3 million new jobs.**

Respondents in the manufacturing sector were the most negative about the ability of U.S. companies to compete. "The challenge in setting up U.S. plants is finding a technical work force," said Martin Schmidt, associate provost at the Massachusetts Institute of Technology. In particular, companies say they need engineers with more than high school, but not necessarily a bachelor's degree. Many manufacturers contend that Americans at that skill level are hard to find. They say Asia is a particularly attractive because the unskilled and semi-skilled workers there accept lower wages. Also, these companies say, factories in Asia can scale up and down faster, and Asian supply chains are more flexible.

A recent article in *The New York Times* about Apple's iPhone production in China graphically illustrated that speed and flexibility: "One former Apple executive described how the company relied upon a Chinese factory to revamp the iPhone's screen just weeks before the device was due on shelves. New screens began arriving at the plant near midnight. A foreman immediately roused 8,000 workers inside the company's dormitories. Within 96 hours, the plant was producing over 10,000 iPhones a day."

The article noted that similar stories could be told about almost any electronics company — or, truth be told, any company in almost any industry. Nevertheless, Apple's case does offer insight into why U.S. corporate success in the era of globalization often does not translate into large numbers of domestic jobs. "If that's the pinnacle of capitalism, we should be worried," said Jared Bernstein, a former economic advisor to the Obama administration, speaking to *The Times*.

Some observers think all the talk about Asian supply chain efficiencies and the dearth of engineers and semi-skilled workers in the U.S. is a smokescreen. Rather, they believe global companies are simply seeking cheap labor and increasingly finding it outside the U.S., often at state-subsidized facilities offering wages and working conditions that few if any American factory workers could or should live with. In a recent *Washington Post* editorial, former Secretary of Labor Robert Reich wrote, "The strategic responsibility for making Americans more globally competitive can't be centered in the private sector because (it has) less and less stake in America. It's designed to make a profit. It wants lower corporate taxes, less regulation and fewer unionized workers. These steps may lower the costs of production here, but (they won't) bring good jobs to America. Global companies can always find even lower costs abroad."

Or maybe not. Jim O'Neill, the chairman of Goldman Sachs Asset Management and the originator of the notion of the BRIC (Brazil, Russia, India and China) economies, believes "the great attraction to producing in China is rapidly disappearing, and it's coming back to this country. The Chinese right now are deliberately raising wages and converting to an economy more driven by domestic consumer demand. That is reducing their competitiveness." For those same reasons, a recent report from The Boston Consulting Group predicted a U.S. "manufacturing renaissance" over the next five years to the tune of an added $100 billion in G.D.P. and 2 million to 3 million jobs.

If true, that would certainly be a welcome turn of events for U.S. manufacturing, but would not address many of the financial, fiscal and macroeconomic weaknesses identified in the Harvard Business School and World Economic Forum studies. In the final analysis, those negative factors seem to speak less to a lack of ability or resources than to a lack of will — political and governmental will, certainly, but also, corporate will. As the Harvard study concluded, "Part of the business agenda for U.S. competitiveness (must be) to stop taking actions that benefit one's own firm but weaken America's business environment."