

# Human Condition in Organizational Evolution: Mass Flourishing as the Casualty of Vested Interests

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**Abstract:** People flourish when they are tapped into their intrinsic motivations. Whether that can happen depends largely on how the surrounding institutions prime the people involved. Experiencing flourishing requires that social conditions fulfill sense of autonomy, connectedness, and competence. I argue that systematic prevalence of such conditions within an organization requires either experiencing i) exploration of the new in creation of the organization, or ii) positive impact of its work on beneficiaries.

The former is associated with the early phases of organizational evolution. The latter could be the source of flourishing for more established institutions, but hierarchies of power typically block it. Those with power are distanced from experiencing the impact of the institution on beneficiaries, structurally leading to priming through extrinsic motivations and vested interests. This leads to the need to further control those who on the frontline could experience the impact, which inhibits flourishing from them as well.

**Keywords:** Human flourishing, self-determination theory, organizational evolution, vested interest

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The Nobel laureate Edmund Phelps argues that one of the most significant achievements of modern market economy has been its ability to create conditions for *mass flourishing* (2013). According to Phelps, such conditions prevailed especially in the U.S. during the decades around the turn of the 20<sup>th</sup> century, and arose from minimal pampering and control of individuals that avoided leashing man's inherent Aristotelian pursuit of knowledge. Unlike in control-driven corporatist or socialist capitalisms of the same period, it led to an economy that was inclusive and dynamic to the grassroots. It systematically and organically engendered opportunities for meaningful work, rising to the challenge, and self-expression. It enabled and encouraged all of its participants – the innovators, financiers, and customers – to use their agency, and explore the new. But notably, Phelps sees that this period has ended.

Conditions of human flourishing are most prominently associated with realization of the experience of self-determination (Ryan & Deci 2000). The capitalist ideology has perhaps

always entailed both forces that support circumstances of human flourishing and self-determination (the laissez-faire principles) and forces that hamper them (the ideals of self-interest and external rewards; cf. Kasser, 2011), but overall the latter would seem to have gradually become dominant in western capitalisms. This development is often conceptualized through the connected phenomena of changing value systems and rise of power of special interests. In fact, already towards the end of Phelps' envisioned peak years of mass flourishing, Thorsten Veblen (1919) saw that the degrees of freedom in a capitalist society are heavily constrained for the common man; his options for occupation and consumption dictated by the industrial system that is primed to benefit the money managers in charge. 1960s and 70s at latest saw the establishment of such an apparatus through the rise of the financial capitalism and institutional ownership (cf. Brown 1998; Prasch 2014). Phelps on the other hand, who also concludes that dynamism (and flourishing thereafter) of the U.S. economy declined from 1960s onwards, attributes the decay primarily to a cultural change where values and attitudes became risk-averse and comfort-driven (2013). Continuing the same trajectory, studies examining value systems in Anglo-capitalisms in 1990s and 2000s report a heightened role of power and rewards in those value systems, concluding that such appreciations largely inhibit systemic experience of flourishing in the contemporary economic system (Deci & Ryan 2012; Kasser et al. 2007; Kasser 2011).

While the story is obviously more layered, the anecdotal development of decreasing dynamism and experienced self-determination in western capitalisms is widely shared among many sociologists, psychologists, and heterodox economists. However, it is less discussed why this kind of a change occurs. In this paper, I propose one contributing mechanism. I examine systemic sources of human flourishing on the level of the most typical proximal institution of capitalism, the business organization. Specifically, I conceptualize how fundamental psychological motives are linked with the evolutionary patterns of organizations, and offer an evolutionary perspective to the development of vested interest in such institutions. My approach is analytic and conceptual in nature; the propositions I make point out tendencies in organizations of capitalism, and the phrasing used is somewhat deterministic to make the logic of the argument clearer. By drawing especially from self-determination theory (Ryan & Deci 2000), and positive organizational scholarship (e.g., Grant 2007), I conclude that systemic opportunities for operating from autonomous motivations have a tendency to deteriorate as organizations become established. As motivation for those in power deteriorates from intrinsic to extrinsic, those on the frontline become targeted with increased control. Meeting the demands of such increased control becomes a key form of motivation, the nature of which is extrinsic as opposed to intrinsic. Thus intrinsic motivation is lost for all.

## **Demystifying Human Flourishing and Its Premises**

A flourishing person experiences self-realization and is psychologically highly functioning; they exhibit eudaimonic wellbeing (as opposed to hedonic, which refers to pleasure and avoidance of pain; Ryan & Deci 2001). Based on a strong-rooted Maslowian conception of human needs (Maslow 1943), it is easy to dismiss human flourishing as a

rather highbrow concept. However, recent work in organizational psychology makes it clear that it is palpable and fundamental for human condition.

To capture the essence of flourishing for the purposes of this paper, I use a passage about optimal human motivation by psychologists Richard Ryan and Edward Deci: “The fullest representations of humanity show people to be curious, vital, and self-motivated: At their best, they are agentic and inspired, striving to learn; extend themselves; master new skills; and apply their talents responsibly” (2000). Alternatively, human beings can be driven to make an impression, dragging themselves to do what’s demanded in the fear of punishment, or plain apathetic. Position on the motivational spectrum is independent of material conditions. Instead, research done since the 1970s in self-determination theory concludes that it depends on the degree of satisfaction of *basic psychological needs*: autonomy, relatedness, and competence. They are basic needs in a sense that people are unable to opt out from them, though their satisfaction is a continuum rather than a binary variable. The need for autonomy is a need to feel in control of one’s own behaviors and goals. The need for relatedness is the need to experience belongingness and attachment to other people. And finally, the need of competence means that people have a need to gain mastery of the tasks they are doing and learn new skills.

Satisfaction of these needs depends chiefly on the social conditions where human beings develop and function. However, priming of a particular institution is not deterministic for individual’s flourishing. It also depends on exposure to other contexts in the past and present (Liu et al. 2011; Menges et al. 2016; Sonnentag & Grant 2012).

As a result of developing and functioning in conditions that are supportive, people are sometimes able to connect and operate from what is often the referred as *intrinsic motivation*. It is the “inherent tendency to seek out novelty and challenges, to explore, and to learn” (Deci & Ryan 2000). It is doing something where the doing is ‘the reward’ in itself, like gaining knowledge or independence. Similarly important consequence is the ability self-regulate extrinsic motivations. This means the capacity to motivate to instrumental tasks that are not motivating on their own but serve an internalized purpose, as well as the capacity to self-regulate extrinsic wants and needs (Deci & Ryan 2000). Respectively, low satisfaction of these basic needs – which can be subtle and unconscious – leads to development of substitute needs with external locus of causality. For instance, self-esteem is not a basic need but a secondary phenomenon; it is inherently experienced when basic psychological needs are fulfilled. When those are not fulfilled, people develop “a need” to externally validate themselves (Deci & Ryan 1995), for example through gaining power or money. Similarly, deficits in basic need fulfillment can lead to extrinsic substitute mechanisms like excessive consumption (Kasser et al. 1995). While acting from extrinsic motivations can bring fleeting satisfaction, true flourishing must then wait for another context (Deci & Ryan 2014).

## Two Types of Flourishing

In conditions where individuals experience flourishing, two different types of relationships to one's environment can be distinguished. In flourishing, one or both of these relationships are realized:

Type-1: Exploration of the new<sup>1</sup>

Type-2: Enabling conditions for exploration of the new for others

Type-1 is oriented towards exploration for *new institutions*, and clearly entails flourishing as the state of true exploration necessarily corresponds to satisfaction of psychological needs (as discussed above). However, exploration of the new requires experienced support from existing institutions that allow for the outbreaks and trials of individual motivation. Without development of internal social safety (through autonomy and relatedness), new heights are unlikely to be explored outside of what is socially considered worth pursuing. Type-1 thus requires type-2. Type-2, consequently, is oriented towards providing support for others' flourishing through *prevailing institutions*. Importantly, also it corresponds to psychological need satisfaction. Key is that the experience of expanding possibility horizons can be experienced either through self or others. Generally, being able to give, prosocial behaviors and beneficence, is an important source of wellbeing (Aknin et al. 2013; Martela & Ryan 2015). More specifically, supporting others from a position of strong psychological functioning/flourishing and autonomous motivation provides the recipient with greater satisfaction of psychological needs (Weinstein & Ryan 2010) and makes the provider more persistent and productive (Grant 2008). In other words, the experience of support to autonomy and relatedness needs to be *genuine* to be, in fact, autonomy supporting and creating sense of belongingness. And for the experience to be genuine, the giver/supporter needs to act from their autonomous motivation – corresponding to a situation of human flourishing also for the giver/supporter.

## Flourishing and Vested Interests in Evolution of Business Enterprises

In this chapter, I discuss the systemic ways that conditions for flourishing are formed in organizations, and how vested interests (extrinsic motivations) develop as its counter-phenomenon. To *systematically* be a context that enables its employees to work from their autonomous motivation, an organization has to manifest either or both of the types of relationships to its environment specified above<sup>2</sup>.

Consider the evolutionary pattern of an endeavor in a market economy. Type-1 flourishing can largely be seen as a function of the level of establishment of an

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<sup>1</sup> In terms of an individuals' relationship to surrounding institutions, exploration of the new can be further divided into two: 1) discovery and learning about current institutions, so that the new is already existing but new for the individual (like a child learning mathematics in autonomy support by parents), 2) creation of new institutions.

<sup>2</sup> Conditions for flourishing can also be formed randomly for parts of an organization. This typically happens due to a psychologically strong enough individual – often a “hero boss” – being able to create an organizational bubble for their team that begins to manifest type-1 or type-2 conditions. Notably, such an individual would have needed to be exposed to conditions for flourishing in another context (Menges et al., 2016).

organization/institution. The phase of emergence from an embryo to an established institution is innately marked by high likelihood of type-1 conditions<sup>3</sup>. During such an emergence, expansion of possibilities in the environment is constantly *experienced*: when the entrepreneurs move from not trying to trying to do something new; when that trying receives its first positive response; when the first big client says yes, etc. Also later in the cycle, a high-growth company has the capacity to provide the sensation of expansion to different levels of employees and tasks. However, true exploration of the new begins to fade with the degree of establishment. When the organization starts to have something (assets, processes, reputation in the market) that is known to work, the sensation that there is something to lose appears. From the point of view of external manifestations, in principle, it becomes more risky to try something truly new than to cultivate and grow the attained position of the company. The more successful a firm has been in its original context, the more difficult adaptation is to another (Barnett & Pontikes 2008; Hannan & Freeman 1984). While organizational pockets can occasionally enjoy from type-1, systematically those conditions decline and often practically disappear. Type-2 conditions are also typically present *among* the individuals in an organizational emergence, forming a system of *mutual* empowerment. However, as experiencing the expanding opportunity horizons for others fuels type-2, internally induced type-2 fades together with type-1 as the organization becomes more established.

As a result, systemic maintenance of conditions for flourishing within an organization in more established phases depends on a type-2 relationship with its environment. Sustaining type-2 flourishing requires, first of all, that the organization is doing something that can authentically be experienced as supporting for the recipients. Namely, an endeavor based on conning the customer has little chance for this source of flourishing. If this requirement is filled, there are two kinds of structural conditions to allow supporting other people to be autonomously motivated. Most notably, the enabler needs to experience sufficient self-determination in their tasks to enable agentic behaviors (Speitzer et al. 2005) and motivation. Additionally, the provider needs to have (experienced) proximity to the recipient. Being able to experience the impact of one's work on its beneficiaries is key for autonomous prosocial motivation. For example, the reason why firemen motivate to put themselves in harm's way is the intimate experience of being in service of their community (Grant 2007)

However, organizational conditions have a tendency to develop unfavorably for these requirements. As firms become larger, managerial roles tend to be separated from tasks on the frontline of the company<sup>4</sup>. This leads to a systemic tendency where those with power grow constantly more distant from experiencing the impact that the institution

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<sup>3</sup> The argument is not that all new firms are in the business of creating circumstances of flourishing for the people involved, but conversely that the circumstances of flourishing are by necessity (to a degree) present as a new organization emerges into existence from nonexistence in capitalism. In principle, market capitalism is particularly primed for such circumstances, as resources for new endeavors are created by individuals from their own initiative, not just given to them through, for example, a bureaucratic process.

<sup>4</sup> While many firms are able to maneuver with minimal hierarchies in high growth phases (or when small enough to know everyone), needs of external validation and defacto status hierarchies have a tendency to emerge as type-1 conditions for flourishing diminish.

has on its beneficiaries. It does not happen instantly, but has a tendency to systematically deepen over time.

When deprived of access to conditions for flourishing, managers eventually lose connection to their autonomous motivations and instead operate in pursuit of extrinsic validation, power (Deci & Ryan 2014), and “something for nothing” (Veblen 1919). While managers would be able to flourish in enabling and empowering their teams, these conditions are likely to become impeded through control from a step higher in the hierarchy (which is again a step further from experiencing the original positive impact on beneficiaries). The further the distance in an established institution between those in power and those on the frontline, the less likely it is to exhibit conditions for flourishing.

## **Discussion**

In this essay I argue that psychologically the development of vested interest in established institutions originates from experiential distance of those with power to those on the frontline. Unfortunately, contemporary capitalism exhibits multiple mechanisms that accelerate this divide. For example, due to franchising and fragmentation of business processes, restaurants, coffee shops, and movie theaters that used to be independent jobs of agency and intimate customer connections (fueled by that agency), are now largely under distant head office control (Sassen 2001). Similarly, the management trend of focusing on core competencies has meant a rapid increase in narrowly defined tasks with minimal agency for the worker layer in industries from logistics to hospitality (Weil 2014).

Flourishing was perhaps never a goal in capitalist ideals. More likely those goals were in efficiently arranging self-interested exchanges (like for Adam Smith’s (1776/2005) butcher, brewer, and baker), solving the economic problem (Keynes 1930/2010), or avoidance of the need to trust in goodness of kings (Hayek 1948). However, or rather consequently, true flourishing occurs on the margins of the articulated capitalist system. For example, the search for new businesses is often rationalized by their potential monetary rewards, while exploration of the new in the process is what provides opportunities for true flourishing for those involved.

Nonetheless, continued dynamism of capitalism requires that there are enough people who have been exposed to conditions for flourishing to have the courage to step into the unknown (not just safe betting on careers in exploitation of the known). Subsequently, this requires that there are people with capacity to establish those conditions of support. In other words, birth of new institutions requires that some of the current ones are able to provide circumstances for flourishing.

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