

Towards a Theory of Institutional Decay

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Accountable and trustworthy institutions?

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Introduction

- “sustainable cooperation” within an organization as key factor for stability – but what can motivate it?
 - Are the “good goals” of organizations sufficient motivators? That would be too easy!
- But: why then are “good” organizations not more successful? – difficulty of maintaining them over time and keeping them functional
- Normative notion of “sustainability”: stably and reliably pursuing sustainable development (<> descriptive notion of “sustainability”, e.g. of the mafia)

Introduction

- The “decay” of organizations is rarely made an issue in political philosophy, but sustainable organizations are needed for realizing sustainable development
- Aim of the paper: introduce mechanisms of endogenous decay of institutions within organizations – building on micro-level theories from social psychology (goal framing theory)
- Draw attention to the problem of the fragility of (normatively sustainable) institutions

Our framework

- “institutions”: “rules of the game”, with a normative dimension
- “organizations”: rely on institutions in order to enable stable cooperation and coordination
 - Individuals can be extrinsically or intrinsically motivated
 - In organizations with legitimate or desirable goals, intrinsic motivation is more likely

Our framework

- Seumas Miller on “institutional corrosion” (in contradistinction to “institutional corruption”)
 - not intended or foreseen
 - framed in terms of virtue as role holders
 - triggered by extrinsic changes (e.g. budget cuts)
- Our account: sustainable organizations as enabling sustainable cooperation (not in terms of virtue)
- Institutional decay: motivation to comply with institutions of an organization declines (in a gradual process) – reliability of organizations is then threatened

Micro foundations

- Economic theory of organizations: “principal-agent approach”
 - self-interest as motivation; challenge of aligning incentives
 - Decline of cooperation must have external causes (e.g. changes of opportunity costs)
 - Cannot explain *endogenous* decay

Micro foundations

- Goal framing theory
 - 1) three goal frames: hedonic, gain, normative
 - 2) always one frame salient, others in the background
 - 3) environmental cues activate and sustain frames (e.g. behavior of others)
 - 4) *a priori* strength differs (hedonic > gain > normative)

Micro foundations

- Endogenous motivational shifts possible
- Goal framing is often a *social* process
 - “cultural slopes” possible
 - example: “bureaucratization” that comes to overshadow organizational purposes

Mechanisms of decay

- Weakening of normative goal frames
 - reduced legitimacy of organizational goals (cognitive level) – example: perceived hypocrisy of CEO and ensuing norm shift concerning legitimacy of goals
 - reduced commitment (volitional level) – examples: lack of internal justice, lack of attention to employee well-being
 - strengthening of other goal frames (crowding out) – examples: Campbell's law mechanisms, "ethical erosion" à la Enron

Challenges for sustainable development

- difficulty of keeping up normative motivations and hence sustainable cooperation in organizations over time (both in private businesses and in public institutions)
- normative goal frames can easily decay, weakening institutions of organizational collaboration
- problematic if the “burdens of justice” are seen as too high and institutions can be perceived as unfair
 - “exit” and “voice” in Hirschman’s sense often come only when it is already too late

Conclusion

- the motivation for sustainable cooperation is often fragile
- strong institutions of organizational cooperation need to be actively encouraged to prevent institutional decay
- more work is needed to understand how it can be prevented and how sustainable organizations can be put into the service of sustainable development

Thank you very much for your attention!

All feedback welcome:

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