The Theory of "Flow" and its Relevance for Organizations[1]

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[1] This is the first WP in a two-part series. The second WP, "Flow-Leadership: Theory and Practice", will appear later during the 2016 calendar year.

At the end of 2015, the co-authors of this essay, joined by Zad Vecsey (Founder and CEO of ALEAS Simulations), published a book, *Missing Link Discovered: Integrating Csikszentmihalyi's Flow Theory into Management and Leadership Practice by Using FLIGBY – the Official Flow-Leadership Game*(Los Angeles: Aleas Simulations).

The focus of the *Missing Link Discovered* book was two-fold:

(1) To summarize the body or research that shows that maintaining a Flow-friendly workplace is a win-win proposition for owners, managers, as well as for the workforce, irrespective of whether the organization is a business, a government agency, or an NGO.

2) To offer a comprehensive description of (and a guide to) a truly innovative, global #1 award-winning leadership development simulation game, called FLIGBY (Flow Is Good Business for You).

Since the publication of *Missing Link Discovered,* two of its authors have continued researching the implications of the theory of Flow for effective leadership, elaborating on and expanding the book's first two chapters.

This WP is a progress report on that continuing research; the first of two essays we are publishing in this series. One purpose is to inform our colleagues about this interesting and growing area of leadership research that has many practical implications; another, **to elicit comments and suggestions.**

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Abstract

Abstract

The objective of this essay is to identify how leadership based on the principles of Flow theory, if applied, helps create a Flow-promoting work environment and lead to better organizational performance.

Csikszentmihalyi's theory of Flow – globally known, appreciated, and applied in many fields, ranging from psychology, to education, to sports – is explained and illustrated here in considerable detail. The essay shows how a value-based and Flow-promoting approach to dealing with colleagues and subordinates will enhance the effectiveness of management and leadership.

We take side on the controversy on whether managers and leaders are of the same or different species. We try to persuade the reader that the sharp distinction that is often made between managers versus leaders is unnecessary and counterproductive.

The essay then focuses on those dramatic technological and demographic changes that are occurring all around us, in nearly all societies – changes that make the introduction of a value-based and Flow-promoting management not a nice luxury but, increasingly, an essential tool for surviving or leapfrogging our business competitors – be they large, formal organizations or the mushrooming number of start-ups and SMEs.

I.   The problem and its setting

1. **"Are you satisfied with your workplace**?"

Please select, without much reflection, the answer that first comes to mind:

Yes _____; No ____Partly_____.

If your answer is "no" or "partly", jot down quickly the main reason(s) why it is not "yes". When you finished reading this essay, please go back and see if you can be a little more specific about why your answer was "no" or "partly".

More generally, do you agree with the following statement? *"Our jobs determine to a large extent what our lives are like."*

In any survey of about 100 of our MBA students, faculty colleagues, and acquaintances, an overwhelming majority agreed with the statement, as do the authors of this essay.

The above quoted, simple but insightful statement was made by one of our era's most recognized scholars in the social sciences and the humanities, **Mihaly Csikszentmihalyi (pronounced: me-HIGH chick-sent-me-HIGH-ee),** Distinguished Professor of Psychology and Management at Claremont Graduate University, in California. He also wrote:

"What employees from the pharaohs down to modern TQM managers have been primarily concerned about is **not** how to tailor a job so as to bring out the best in the workers, but rather how to get the most out of them. ….All too often, the job fails to provide clear goals, adequate feedback, a balance of challenges and skills, a sense of control, and a flexible use of time."[1]

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[1] Mihaly Csikszentmihalyi, *Good Business: Leadership, Flow and the Making of Meaning* (New York: Penguin Books, 2003), pp. 86-87, 96.

2. Attaining satisfaction, and more, by experiencing Flow

During the past 40 years, Csikszentmihalyi had focused "conversations" with thousands of individuals, trying to understand the sources of individual creativity and happiness, in one's life generally and at the workplace in particular. He found that people were happy when the activity they were engaged in was ***rewarding to them in and of itself***, not just to make a living, or out of duty. Csikszentmihalyi's subjects often described the feelings they experienced when engaged in activities on which they were fully focused and enjoyed as "things flowing effortlessly, like being carried away by a river". So he decided to call such states "Flow" experiences.[2]

Being in Flow does not require engagement in a momentous task. One can experience Flow repeatedly even while doing relatively simple things, if one does them extremely well.[3]

Since most of us spend the largest portion of our awake lives at work (or at school), it is a common sense observation that "our jobs determine to a large extent what our lives are like." Just think of what happens when one comes

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[2] *Flow: the Psychology of Optimal Experience* (New York: Harper Perennial, 1991). With regard to happiness, Csikszentmihalyi makes an important distinction between *hedonic happiness*, derived from material possessions and physical pleasure, that, in most cases, is temporary and whose intensity is difficult to sustain over long periods, and *eudaimonic happiness*, derived from doing one's best, given one's abilities and the challenges faced. The two types of happiness can coexist and be even complementary. Problems tend to arise when the pursuit of hedonic happiness dominates one's life. The happiness that tends to be associated with being in Flow or having experienced Flow is the *eudaimonic* type. For a good discussion of the two types of happiness, see Huta (2010).

[3] A better example confirming this statement cannot be found than the one Csikszentmihalyi cites himself: "A few years ago, when the TV show, *Good Morning America*, was planning a segment on Flow, the producer called me from New York, asking if I could give her the names of some research subjects who would be good to interview about what it means to be in Flow. I responded that I would prefer not to do so, because it might well be seen as an invasion of privacy by the people who had participated in our research. 'So what should we do?' asked the producer dejectedly. 'Just take the elevator, go down to the sidewalk, and stop a few pedestrians passing by', I suggested. 'In a few minutes you should have some good stories.' The producer remained doubtful, but the following morning she called with a great deal of excitement. 'We have some wonderful people, some great stories' she said. The first interview was with an elderly man whose job was to make lox sandwiches in a Manhattan deli". Then follows a wonderful story of how this man gets regularly into Flow on his job. The quote and the details of the story can be found in Csikszentmihalyi, *Good Business,* p. 102.

home from school or work all stressed out as opposed to arriving home and telling a loved one, "today (or in a past week or month) I have really accomplished things and my achievements are appreciated (at school or at work)".

3. Positive psychology at the workplace

Investigating such issues as creativity and happiness are subjects of a relatively new subfield of psychology, **<u>positive psychology</u>**, one of whose founding fathers is Csikszentmihalyi. Positive psychology is a branch of the discipline that relies on scientific understanding and effective intervention to aid in the achievement of a good and socially productive life, rather than treating mental illnesses.[4]

So it was an obvious task for Csikszentmihalyi -- a scholar of psychology as well as of management -- to try to find out, through interviews, whether people tend to be satisfied in their jobs and, specifically, whether they are given opportunities to periodically enter into a Flow state in their places of work or study. Csikszentmihalyi does not cite statistics on what percent of bosses, managers, employees, students and teachers he interviewed were highly or poorly satisfied -- or how many did get into Flow at work, how often and for how long. In any case, the statistical answers, if available, would surely differ from workplace to workplace and from school to school. What he did find though, as a broad generalization, is that most people were **<u>not</u>** highly satisfied in their jobs and were **<u>not</u>** working under conditions conducive to experiencing Flow. In response to these findings, Csikszentmihalyi wrote a book (cited in fn. 1) about what we as individuals, as members of teams, as managers, or as

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[4] Positive psychology has particular relevance for organizations, especially in business management practices. To put it briefly: emotionally healthy and satisfied workers enjoy multiple advantages over their less happy and satisfied peers, and are likely to improve the performance of the organizations where they work.

leaders of any group or organization – be it an educational institution, a business firm, a unit of government, or an NGO -- can and should do to make the workplace attractive. The key statement that summarizes his Flow concept's relevance for managers and leaders is this: **the best way to manage people is to create an environment where employees enjoy their work and grow in the process of doing it.**

The theoretical-conceptual reasoning that supports this statement, and the practical steps that managers and leaders can and should take to create such a workplace, is what this (the first WP) and its follow-up study are all about.

To be sure, the extent to which we enjoy our work and are contributing to the organization is partly a function of the attitude <u>**we**</u> bring to our tasks. An insightful way to categorize attitudes toward work is how one perceives the workplace: a place to do a <u>job</u>, to pursue a <u>career</u>, or to perform one's a <u>calling</u> in life?

A <u>job</u> tends to be not much more than the means to support self and family. A <u>career</u> can be important in terms of financial rewards (which can be a means to achieve things outside work), but the key marker of those who are career-oriented is their need to be recognized for their accomplishments by others. Those who experience work as their <u>calling</u> (i.e., vocation) are those who – other things being equal -- tend to experience Flow the most often.[5]

The feeling one has toward one's job can, of course, be greatly improved by the attitudes and skills of the managers/leaders of the unit or the organization with which one is affiliated.

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[5] A. Wrzesniewski, "Finding Positive Meaning at Work." In: Cameron *at al., Positive Organizational Scholarship: Foundations for a New Discipline.* (San Francisco: Barret-Kohler, 2003.) Also important, of course, are the attitudes of one's co-workers. However, it is a task of managers and leaders to select associates who are problem-solvers, not problem-creators and, also, to nurture an organizational culture and recognition system that prompts employees to be problem-solvers, not problem-creators.

Our forthcoming (follow-up) WP will summarize the surprisingly many small steps -- none particularly difficult by itself—that, if taken, in combination and consistently over time by managers and leader in the first place, but also by employees and by each of us as adults, would yield many strongly positive results not only at the workplace but also for each of us individually, irrespective of whether we are managers, employees, entrepreneurs, or free-lancers (or some combination) at any given moment.

4. If Flow is so easy and beneficial, why are most workplaces unsatisfactory still?

This question may be on several readers' minds, too, already: if Csikszentmihalyi and his acolytes really have a magic formula for simultaneously improving employee morale and organizational performance, why is that formula not widely known and not operationally in place throughout much of the world?

One obvious answer is that unless an idea, an invention, or a product gets intensive worldwide publicity, it is just about impossible, so to speak, "to bring one's light out from under the bushel".[6]

However, if, in the quoted proverbial phrase, the "light" refers, by analogy, to Csikszentmihalyi's Flow theory, then it would be inaccurate to say that it has remained "under the bushel." The Flow theory is quite well known by scholars

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[6] The English proverb, "to hide one's light under a bushel", is an expression for something valuable that remains hidden. It originates in a parable in the Christian bible (the Gospel of Luke), where Jesus says: "Neither do men light a candle, and put it under a bushel, but on a candlestick, and it lighteth all them which are in the house." In the quote, the light is believed to refer to Jesus' teachings and the bushel to a container that holds one bushel.

around the world -- and has found applications in many fields, ranging from education to sports.[7]

What is accurate to say, however, is that **Flow theory's relevance to management has somewhat remained "under the bushel",** for several reasons.

First, that the principles and practices of Flow-based management/leadership have much in common with several other mainstream management/leadership-skills systems.[8]

The Flow-based skillset's distinctiveness from other skill constructs is that the former

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[7] For example, in education (see M. Csikszentmihalyi *at al.*, *Talented Teenagers: The Roots of Success and Failure* (Cambridge University Press, 1997) and (with Susan Jackson, *Flow in Sports* (Champaign, Ill: Human Kinetics Publishers, 1999).

[8] Here are several examples of leadership theories, focusing on their similarities and differences vis-à-vis Flow-based leadership:: (1) The *Behaviorist Theories* on leadership focus primarily on what leaders' actual actions are rather than on their personal qualities. Flow-based management is also action-oriented, but similarly to (2) the *Situational Leadership* approach, it considers the specific circumstances in which leadership is being exercised and in particular accounts for the actual 'maturity' level (a function of ability and willingness to perform a task) of the follower. Flow-based leadership emphasizes the importance of the relationship between leader and followers, focusing on the mutual benefits derived from 'interactions' and 'transactions' - just like (3) the *Transactional Theory* perspective on leadership. (4) For the *Transformational Theory* of leadership, the central concept is organizational and personal change. The role of a leader is to envision and to implement such transformations of organisations and individuals in order to achieve better overall performance. Positive change and better results are also fundamental tenets and aims of a well understood and well implemented Flow-based leadership concept.

Newer, more contemporary, attempts to define the essence of leadership can also be well connect to the Flow-based leadership paradigm. For example, (5) *Resilience Leadership,* emphasizes the ability to function at normal and healthy levels even in the face of adversity. This theory is more than simply 'bouncing back' from adversity: it is essentially the capacity to maintain growth through hardships and emerge from *challenges* stronger than before. (6) *Charismatic Leadership* has long been in the vogue, and is often tempting for board of directors to select an "exciting" person as the CEO, in the hope that he or she will realize the promised outsized returns. However, such leaders often get into trouble and cause great damage to their organizations, for example, when they meet "trigger" (or "crisis") conditions and feel that they must live up to the image as a strong and decisive leader and therefore make decisions that backfire. Csikszentmihalyi's Flow-based leadership probably has the least in common with charismatic leadership, believing that lower-profile leadership, labeled "intelligent conservatism" (by Christian Stadler of the Warwick Business School) would be more effective.

(1) is strongly value based, as compared with most other systems that are value-free or where values play a less central role;

(2) includes skills, such as "balancing" [9]and "applying "personal strengths"[10], that few other leadership skill-sets recognize explicitly;

(3) has a modified definition of certain standard skills, such as "strategic thinking"[11]; and

(4) gives greater weight to certain skills, such as "feedback", highlighting its many different sources.[12]

Second, Flow-based leadership has been investigated less thoroughly, and has been written about less frequently, to date than the topic would deserve, based on its applications' already proven results (some cited below). The excellent book by Csikszentmihalyi on this topic (cited in fn. 1) had been researched nearly two decades ago; and he has not published articles on the topic in mainstream management journals. For these reasons, the application of the theory of Flow to management has been languishing; consequently, to revive and further develop this field is timely.

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[9] Refers to an (a) awareness of both the on-the-job challenges and the skill levels of subordinates and (b) the actions taken to help achieve, for each key subordinate, a reasonable, dynamic balance between the challenges they face and their skill levels.

[10] Refers to the readiness to realize one's own – and others' – strengths, which are personal attributes one could have been born with and/or cultivated over many years, through experiences. This skill means the realization that such strengths can be potentially used to the benefit of the organization, and finding new ways to do so.

[11] In addition to what this phrase usually means, in the Flow-based leadership context it also entails the effective communication of the mission and goals of the organization, with a clear explanation of why and how the tasks of subordinates and colleagues are concrete steps toward achieving the goals of the organization and/or the unit. Receiving concrete goals and milestone markers along the way are necessary but not sufficient conditions for reaching a Flow state. The true enjoyment often comes from the steps taken toward attaining a goal, not from actually achieving it.

[12] Traditional management focuses on feedback by outsiders, such as by superiors to their subordinates, while Flow-based management highlights as well the importance of two other types: direct feedback from the activity itself (the individual can both see and sense the progress he or she is making on a task); and feedback relative to the individual's inner expectations (especially frequent in sports).

It is these convictions that have been prompting us to work on the application of the theory of Flow to the practice of effective management and, through that, to lasting improvement of organizations' culture and performance.

5. The structure of this essay

To be effective in convincing our academic peers and (partly through them), a growing number of aspiring and practicing managers that the theory of Flow and its extensions have a lot to offer them, it is important to show that the theory of Flow provides a strong scientific basis for improving the performance of organizations. Part II summarizes the body of research and interpretations on this topic.

Part III sketches the changing technological and cultural context in the modern world, which reinforce the desirability and the value of individuals, teams, and organizations adopting Flow-based values and management practices. This ends this first WP; our follow-up essay will focus on the practical aspects of introducing or nurturing Flow-promoting management and leadership practices in just about any organization.

6. Leaders versus managers

Before delving into our main topics, let us detour briefly by addressing a controversy in the organizational literature: the presumed similarities and differences between "managers" and "leaders". The subtitle of our book (which we are partly summarizing and partly extending here) is "Integrating … Flow Theory into Management and Leadership Practice." Hence the question: are we focusing on management or leadership, or both?

An extensive body of literature has been discussing n what managers and leaders do. Some draw a sharp distinction. For example, "managers do things right, while leaders do the right things".[13] Other experts, such as Henry Mintzberg, Cleghorn Professor of Management at McGill University, hold the view that such compartmentalization is artificial and damaging. "I propose an end to the belief that leadership is separate from management, and is superior to it. This is damaging management all right, but leadership more so." Then he asks: "Have you been managed by someone who didn't lead? That must have been awfully discouraging. Well, how about being led by someone who didn't manage? That could have been much worse."

Mintzberg argues that "**some of the best leadership is management practiced well, also that anyone with ideas and initiatives can exercise leadership**." This statement by Mintzberg is fully consistent with Csikszentmihalyi's Flow-based leadership philosophy as well as with the authors' view that leadership should not be defined in terms of positions in a hierarchy but in terms of situations – including ordinary, everyday ones – that require someone to lead others in accomplishing tasks, such as solving problems.

Mintzberg quotes Jim March (professor emeritus at Stanford) that "leadership involves plumbing as well as poetry" and defines leading and managing as "engaging with people, based on judgment, rooted in context."[14]

Csikszentmihalyi's and our views are similar to Mintzberg's.[15] We do not deny that the leader versus manager distinction might be useful in some contexts. However, with respect to Flow's implications, we don't consider it necessary or

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[13] A. Zaleznik, "Managers and Leaders: Are They Different?" *Harvard Business Review* (May-June 1977).
[14] All Minztberg quotes in the text are from his essay, "Managing to Lead", cited from his February 19, 2015 blog, http://www.mintzberg.org/blog/to-lead
[15] For a comprehensive yet summary view of one of our era's most influential experts on management and leadership, based on a detailed study of what 29 successful managers and leaders of all types of organizations do on a day-to-day basis, see Henry Mintzberg, *Simply Managing* (San Francisco: Berrett and Kohler, 2013).

useful to distinguish managers from leaders. Our conclusions hold up equally well whether managers and leaders are viewed as two distinct groups, or are considered to be one and the same species. Therefore, we use these terms interchangeably here, as we did in our book.

A large empirical research study's statistical findings support our approach. The study asked: "are some skills less, while others more important for managers and/or leaders at certain levels of the organization?" The key finding was that managers and leaders essentially need similar skillsets:[16]

> "There was a remarkable consistency in the data about which skills were perceived as most important in all four levels of the organization. The same competencies were selected as most important for supervisors, middle managers, and senior managers alike, and six out of the seven topped the list for top executives. [Manager/leaders] at every organizational level, our respondents reported, need a balance of these competencies. …. This suggests that as people move up the organization, the fundamental skills they need will not dramatically change."

 Appendix A lists the 16 management/leadership skills included in the survey and the statistical results, with further details about the study's methodology.

Let us conclude here with our interpretation of Mintzberg's definition that "leadership is management practiced well". In our view, **management & leadership is a process of influence** (not necessarily tied to title or position) **that maximizes the efforts of others** (not only of colleagues and subordinates

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[16] Jack Zenger and Joseph Folkman, "The Skills Leaders Need at Every Level", *Harvard Business Review* July 30, 2014. At the same time, the data cited in the Zenger-Folkman study also indicates that the relative importance of the top seven skills does change to some degree as people move up.

but other stakeholders, too) **toward the achievement of a worthwhile goal**.[17] This definition of what mangers and leaders do makes no reference to organizations. Given our rapidly changing technological and social-cultural context (discussed in Part III), management and leadership skills are ever more useful – and needed – outside the organizational context as well.

II. Theoretical and conceptual background

1. Flow as a state of mind

Based on thousands of carefully structured interviews and the measurement of what might be called the "state of mind" of many volunteer individuals over long periods – as they engage in various types of activities, each involving different challenges and skills – Csikszentmihalyi labeled the frequently changing moods of modern human beings, as shown in Illustration 1.
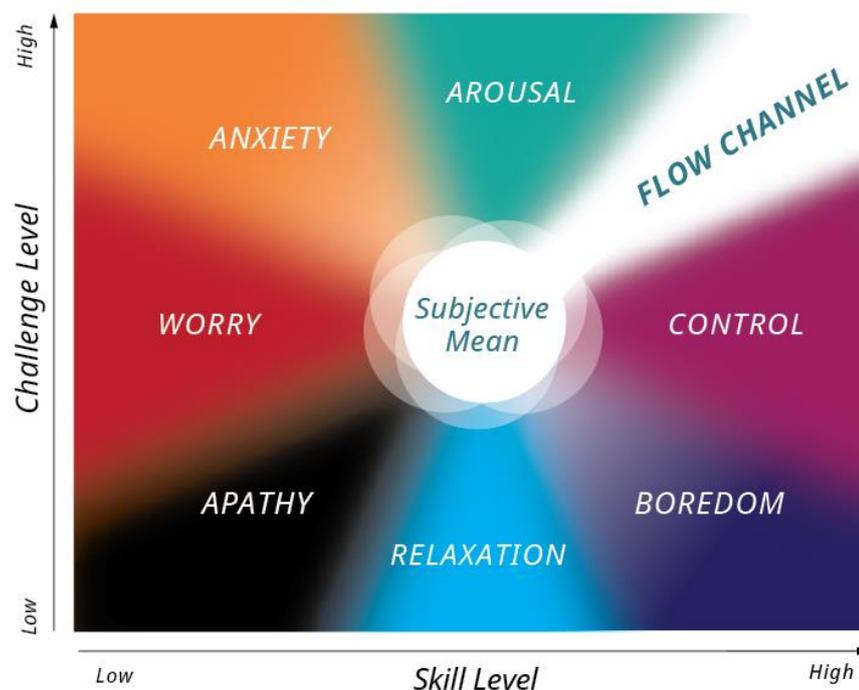
Illustration 1. "States of Mind" during an individual's everyday experiences

Illustration 1 shows the eight-fold classification of a typical person's changing "moods" during a typical day, while awake and engaged in various types of activities, each involving different combinations of challenges and skills. (Note that "challenge level" and "skill level" are the labels on the two axes.) The arrangement of the eight states of mind is arbitrary; moods can jump from any state to any other state without having to go through intermediate stations.

Not every person will find himself or herself in all the mood states in a given day. Also, the relative importance of various mood states will differ from person to person. For example, some may seldom or never enter into **Apath**y. However, it was found that just about everybody (other than a very young child) had experienced Flow, repeatedly, at various times during their lives, without necessarily labeling those experiences as "Flow". This statement is valid, irrespective of a person's ethnicity, culture, education, and occupation.

The two axes of Illustration 1 are the level of skills an individual possesses and the level of challenges that the person faces at any given time. One of the preconditions for a Flow state to occur is that there should be a match between the kinds of challenges a person faces and the skill-sets he or she possesses. And for Flow to re-occur over longer periods, the person should be willing and able to move, gradually, to higher combinations of challenges and skills.

Another label for Flow is "peak experience" or "being in a Zone". Flow experiences have limited duration, ranging from a few minutes to several hours; never more than a working day. One can periodically re-enter a Flow state --in ideal situations, at increasingly higher combinations of challenges and skills.

The concept of Flow is somewhat similar to that of engagement. The difference between them is that while Flow is a recurrent temporary state, engagement is usually a prolonged one. [18]

Illustration 1 shows a space at the center labeled "subjective mean". That area represents an average level of challenges and skills of an ordinary person through an average week. The overall average of moods tends be in the middle, at a given individual's personal center. That individual's perception at that point is that he or she is neither in a positive nor in a negative mental state. Conversely, the greater the distance a person moves away from his or her personal center, the stronger is the indicated state of mind.

Csikszentmihalyi described the common features and triggers of all eight mood states. Here we focus mainly on Flow (upper right corner), identified as the mental state of a person who is fully involved in a task, enjoying the activity, and feeling lots of energy. In his interpretation, being in a Flow state represents perhaps the ultimate experience in harnessing positive emotions, in line with the task at hand, exhibiting spontaneity, joy and creativity.

2. **Flow preconditions and features**

Flow states are associated with certain preconditions and characteristics. Let's label them as "Flow dimensions", which are the following:

1. **Balance between challenges and skills**
2. Goals are clear
3. Immediate and clear feedback (need not be positive but must be constructive)
4. Intense concentration
5. Effortless action; loss of ego

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[18] If an individual were to be asked to fill out a questionnaire about his or her Flow state ("are you or were you just in it?") at two different times during a day, the answers may well be "yes" at one time and "no" at the other. However, if one were to ask about one's level of "engagement" at work at different times – even days or weeks apart – the answers are likely to be similar.

6. Sense of control
7. Distortion of temporal experience (unaware of time, space, noise, hunger)
8. Doing an activity because it "feels good" in and of itself, not in expectation of an external reward.

Each of the eight dimensions need not be present for an individual to experience Flow. And the relative importance of the dimensions that are present will differ from person-to-person and from activity-to-activity.

The first dimension is in bold to call attention to the facts that it is (a) arguably the most important dimension at the workplace; (b) it is a leadership challenge and skill to facilitate this matching whenever a manager/leader makes people-related decisions; and (c) an emerging and promising research area. Illustration 1 simply labeled the eight different "states of mind" of a person. It is just a classification matrix. Csikszentmihalyi and others have discussed in considerable detail each of the states; here we focus only on those that are, in various ways, on the opposite sides of Flow. The three such "opposite" states of mind are Anxiety, Apathy, and Boredom. We can gain insight into the "Flow channel" by juxtaposing the Flow state against its opposite mental states (Illustration 2).
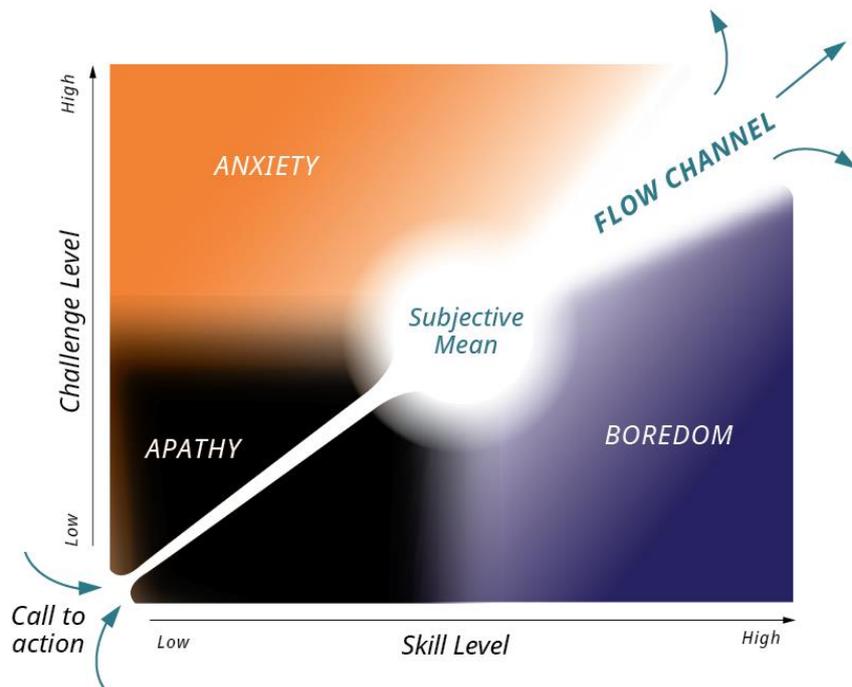
Illustration 2. The Flow Channel

When we find ourselves in a situation that is progressively beyond our control to manage, that brings about a state of **Anxiety,** along with stress. Such situations often arise at the workplace because the challenges we are supposed to meet are beyond our skill or authority level. Another reason is the fear of being laid off if "downsizing" is in the air. If the situation seems to be insurmountable, it can lead to despair. Despair may lead to giving up responsibilities or, in extreme cases, denying reality and seeking solace in alcohol and other drugs.

Another state of mind opposite to Flow is **Boredom**. It occurs when using our skills yields little satisfaction, and no new opportunities seem to be on the horizon to exercise our skills in a better context, or to learn new skills.

Another rather dysfunctional state to be in is **Apathy**. Csikszentmihalyi says that this is perceived by many individuals as the worst state to be in; consequently, people do almost anything to get out of it. Apathy is so

intolerable that people resort to the most ready means of escape, often sinking into passive activities, like watching TV without a clear purpose.

3. **Balancing challenges and skills**

Csikszentmihalyi's research has shown that the concrete level at which an individual can get into a Flow state depends very much on finding an appropriate balance between his or her skill level and the challenge(s) to be met.

There are the two ways in which an individual already in a Flow state can enhance his or her Flow experiences in the future, that is, to reach higher levels of Flow. One is the case where a person becomes so efficient in performing a task (be it at work, in sports, in a hobby, or in any life situation) that he or she becomes bored after a while. In this case, Flow can be regained by being given (or oneself aiming for) a more challenging activity. The alternative process is when a person in a Flow state suddenly faces a new kind of challenge, perceived as too difficult. In such cases the Flow state can be regained by developing one's skills to the level needed.[19]

Getting into and re-entering Flow is a complicated, dynamic process: if the challenge level is too high, the person may find himself or herself in Anxiety, Worry or Arousal, but not in Flow. If the individual's skill level surpasses the challenges being faced, the person may enter Boredom, Relaxation, or even Control, but definitely not Flow. Thus, getting into Flow requires each person finding, at any given time, his or her own equilibrium between challenges and skills. The dynamic process of getting into and out of Flow, and of moving within the Flow channel, is depicted in Illustration 3.

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[19] To many researchers, for example in the fields of human psychology and leadership, the key question is precisely this: how to achieve such higher levels of human productivity and personal happiness.
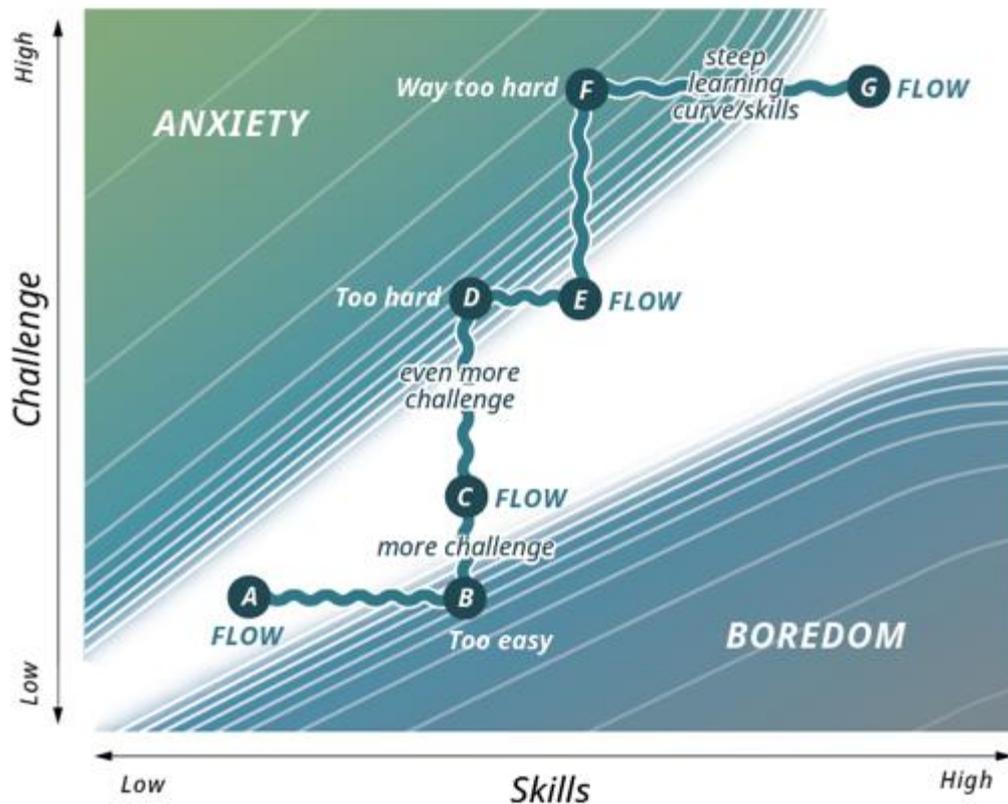
Illustration 3. Flow Dynamics

Illustration 3 shows an individual who is in the Flow channel at point A, which represents a combination of a low challenge and a low level of skill. That person, performing a simple activity, may experience that - after a while - this becomes too easy to perform and will experience **Boredom**, at point B. If a greater challenge is given and some learning takes place, the person can re-enter the theoretical Flow channel at point C. If, later, the individual is given a much more difficult challenge, not matched by his/her required skill level, he or she can experience **Anxiety** (at point D). And so on.

4. Balancing challenges and skills at ever higher levels requires learning

"Learning is the process whereby knowledge is created through the transformation of experience", wrote Kolb in his famous book in which he also

developed a model of how adults learn (his 'learning style inventory').[20] The importance of learning has not changed since the days he developed his theory. In fact learning is still today the single most important *critical factor of success* in our fast-changing business environment. Innovation, change, blurred organizational boundaries, flexible working hours, conflicting tasks and uncertainty about which approaches will lead to a good solution) - these adaptations by a person build upon and necessitate the fundamental *ability to learn.* Therefore, learning and experiencing Flow repeatedly are inextricably tied.

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Section II above was all about exploring Flow at the individual psychological level. Section III that follows places Flow and its implications into their rapidly changing socio-economic and environmental contexts.

III. The changing technological and cultural context of managing/leading[21]

This section offers a few thoughts on the impact of technology and demographic changes for managing and leading employees and other stakeholders. A subsection discusses the implications of technological and demographic changes for employee training and learning.

1. Technological changes

The essence of the technology that is dramatically changing the context of managing and leading is the explosive speed with which digitalization has been spreading, creating horizontal interconnectivity and networks. Some call this the 4th industrial revolution; others claim it simply as the continuation of the

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[20] D. A. Kolb, *Experiential learning: Experience as the Source of Learning and Development*. (Englewood Cliffs, N.J.: Prentice Hall, 1984.)

[21] Several ideas in this section were shared with us by Zad Vecsey; whose contributions are acknowledged.

third industrial revolution, accelerated.[22] The plunging fixed costs of digital technology, the near zero marginal cost of utilizing it, and technology's interconnectedness have been taking place at turbo speeds.

> *Wherever digital technology has spread -- personal computers, cell phones, the World Wide Web, social media, data storage, digital music and video, renewable energy technology, fabrication technology, robotics, artificial intelligence, gene splicing and sequencing, synthetic biology, GPS tracking, and now the Internet of Things -- the velocity, scope, and systems impact has been both exponential and transformative.[23]*

The impacts have been transformative in that they have led to the decline of traditional industries as well as of the traditional, hierarchical organizations. The peer to peer nature of the Internet platforms has been allowing millions of disparate players – mostly new SMEs, NGOs, and individuals -- to come together to exchange information as well as goods and services directly with one another, eliminating the middle men – as well as layers of management -- that kept costs high in the past.

> *This fundamental technological transformation in the way economic activity is organized and scaled portends a great shift in the flow of*

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[22] The theme of the 2016 Economic Forum meeting at Davos focused on the causes and consequences of this digital acceleration, with Forum founder Karl Schwab calling it the 4th industrial revolution. By contrast, Forum presenter Jeremy Rifkin, the author of books on the topic, calls the acceleration of digital innovations an ongoing part of the third industrial revolution; the first being the steam-powered, mechanized production; the second, electric-power-driven mass production; and the third the digitalization of technology. (J. Rifkin, "The 2016 World Economic Forum Misfires With Its Fourth Industrial Revolution Theme", *Huff Post,* January14, 2016).

[23] Rifkin, *ibid*.

economic power from the few to the multitudes, and the democratization of economic life.[24]

Another reason that leadership responsibilities today are much broader than they used to be is that organizations have to be simultaneously present in different networks to be aware of emerging innovations and changing global trends. Such networks run across what used to be traditional industry sectors, technological and scientific platforms, and nation states.

This globally networked age means that employees are interacting with much larger groups of professionals, located in a much broader spectrum of occupations, than used to be the case prior to the digital revolution in communications. Professional interactions with those outside one's own organization have also become much easier, more frequent, and "open". One consequence of this new trend is that not mainly the "bosses" but employees, too, gain access to information and knowledge that is vitally important for an organization. This results in *a more equidistant relationship between an organization's leaders and their subordinates*, contrary to the more traditional hierarchical structure. Employees as well as the leaders of other organizations in a network become each other's "followers".

One consequence of this enhanced interdependence is that although individuals and organizations naturally compete with one another, there is also recognition of the need for rivals to cooperate, whether as members of teams or as parties to strategic alliances. A term often used to call attention to the increased interdependence among individuals and economic units is "ecosystem". A simple example is the relationship between major film studios. While competition among them is intense, they also routinely lease to one

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[24] Rifkin, *ibid.*

another their assets, such as facilities, sceneries, even specialist personnel. This trend toward forming strategic alliances had been spreading for several decades, especially in global industries, such as airlines, automotive manufacturing, telecommunications, and pharmaceuticals.

2. Demographic changes

Of the demographic changes that are impacting management/leadership practices we will briefly discuss two phenomena: implications of the allegedly large "social gaps" between generations and the ageing of the population.

Generation gaps: Social generations are cohorts of people born in the same date range and share certain similar cultural experiences. The date ranges and the analyses typically refer to US society (sometimes to North America and Western Europe combined). Of course, certain characteristics of their generation cohorts may be shared by the same-age cohorts in other societies, too. At the same time, many societies have their own cohort date ranges, their own labels, and their own defining characteristics.[25]

An individual's birth date may not, of course, be an accurate indicator of his or her generational characteristics. Nevertheless, individuals pooled into common groups often have similar social, political, cultural and economic experiences, triggering similar responses and behavior patterns, many of which have been confirmed, or revealed, by large statistical surveys.[26]

Appendix B identifies six generations in North America; to each we append a few of their supposedly common characteristics.[27]

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[25] While a generation is one of the fundamental social categories in a society, many scholars are of the view that its importance as being overshadowed by such other factors as class, gender, race, education, levels of income and wealth, and so on.

[26] Valid group generalizations can be useful. But assuming that a certain individual from a given group has the group's characteristics is stereotyping and has no validity whatsoever.

[27] The primary source is http://www.marketingteacher.com/the-six-living-generations-in-america/

The implications of generational differences for organizations and for management have been discussed extensively by scholars as well as by practitioners. Here are a few ideas from them, and from us:

- Understanding the millennial generation is important because this cohort has been coming of age at the time when the nature of business is changing, thanks in large part to the digital revolution. The older generation of managers/leaders should take advantage of the Millennial's skills to engage them in "reverse mentoring" to obtain a "shining light on the capacities" that are driving the digital revolution. [28]

- A trend that has been continuing ever since the Baby Boom generation had come of age is the growing frequency of changing jobs, going from one organization to the next, switching from employee status to self-employed and (sometimes) back, or dropping out of the work force entirely for certain periods (including to go back to school). There has been a more or less parallel waning over time of employer loyalty to employees and vice versa. Among its many causes are the digital revolution in information (so the search for scarce skills/experiences and attractive employers has gone global), and the accelerated change of pace in the world that, on the one hand, has been reducing the average life span of organizations and, on the other, has been creating ever newer opportunities that attract entrepreneurs. One implication for management is the growing importance of providing an attractive workplace so as to better able to retain the

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[28] Suggested by Jamie Notter and Maddie Grant in *When Millennials Take Over* (Arlington, MA: Idea Press: 2015).

most valuable employees. This is at the heart of Flow-based management; examples of what that means in practice are given in our follow-up WP.

- There are significant differences in generational attitudes toward expecting and giving feedback. Today's younger generation – certainly those in the Y and Z cohorts -- has been socialized in a highly interactive and responsive virtual environment. When they hit the keyboard (if any, in this touch-screen age), the response (feedback) is immediate. In the many games they have been playing since early childhood, there has been instant feedback after just about every move. Therefore, the feedback expectation of the younger generation is so strong that it has become a conditioned part of their attitude in the workplace, too.[29]. By contrast, the "older" generation (even Generation X), whose members still hold most managerial/leadership positions, have more "old-fashioned" attitudes and practices in this area: their feedback tends to be less frequent and less specific than their subordinates expect.

- One should of course not overstate generational differences because "our preoccupation with them only heightens our fear and anxiety in a world that's already scary enough", advises Gretchen Gavett in an article reviewing the business implications of different generations working side by side.[30] Another author has a related theme: don't heed the flawed advice that some

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[29] An example that the two authors, both university professors, can confirm from personal experience: One of the most frequent complaints of students in academia is that the grades they are receiving on their assignments and exams are not timely, the mistakes they supposedly made are not explained, and how they could do better the next time is not indicated.
[30] "Generations United: A Synthesis, *HBR,* January-February 2016, p. 115.

"generation experts" give, for example, that Millennials have to be managed by offering continuous praise, regardless of performance. Instead, says the author, to get the best out of them, "forget what they want and give them what they need: clear expectations, boundaries and structure, honest feedback, and praise only when it is truly deserved."[31] And a comprehensive statistical study, focusing on the EU countries, concluded that it could not identify any relevant gap in attitudes toward work between different age cohorts.[32]

Ageing of the population: People live longer and healthier lives, at least in the so-called "established market economies".[33] An increasing percent of the older folk, including the "Mature/Silent" generation (which includes this essay's second author; see Appendix A for definition) are able and willing to remain in the workforce. However, their opportunities to do so with their previous organizations, or with others, are often limited by compulsory retirement ages, by being among the first ones to be laid-off when downsizing, and by the

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[31] Bruce Tulgan, *Not Everyone Gets a Trophy: How to Manage Millennials* (San Francisco: Jossey-Bass, 2016). The quote is taken from the article by Gavett, cited in the previous footnote.

[32] Gabor Hajdu and Endre Sik, "Searching for Gaps: Are Work Values of the Younger Generation Changing?" an EU-support project on Strategic Transitions for Youth Labor in Europe" (STYLE), WP 9.1, CROME, University of Brighton, Brighton, UK (August 31, 2015); http://www.style-research.eu/publications/working-papers. The cited study investigated (1) whether work values are different between birth cohorts? And if yes, (2) how have work values changed during the past decades? Two kinds of work values were investigated: (1) the "centrality of work", defined as paid and unpaid work, measuring the attitude of the respondents towards work in general, i.e., how important work is for the respondent as a part of their life and identity; and (2) "employment commitment", i.e., the value of being employed (paid work) compared with that of leisure.
One notable aspect of this research is the distinction made between extrinsic versus intrinsic work values. Extrinsic values are "good income", "job security" and "work flexibility"; intrinsic work values are "challenging work" and "a job that is useful for society". ("Work flexibility" is considered to be partly extrinsic and partly intrinsic.) The study concludes:

> We did not find significant gaps among the birth cohorts regarding the centrality of work, employment commitment, and extrinsic or intrinsic work values in evaluating a job. Consequently, we claim that in contemporary Europe, generations are not divided significantly in their work values…. Instead of pointing to generational differences, we should emphasize the lack thereof. (p. 6.)

[33] This group of countries is often labeled "the developed West"-- a term that is inaccurate in this context, among other reasons, because Japan, Australia and New Zealand are not "West", geographically.

preference of many employers for hiring younger people. One consequence of these trends is the older generation's continued labor-force participation, but in new ways: not as full-time employees of organizations but as consultants, free-lancers, sub-contractors, and entrepreneurs.

In our increasingly complex societies **entrepreneurs, subcontractors, consultants, and freelancers are slowly outnumbering classical employees of knowledge-based organizations. Given these changes and trends, management and leadership can entail not only the running of a unit, a division, a company, or a bureaucracy, but also -- increasingly -- the provision of expertise, credibility, and trust – in other words, values – and the professional-human relationships that are formed during one's career.**

3. Implications for employee training and learning

Traditional, formal learning systems, in which "students" sit for hours and listen to (often not well crafted and delivered) lectures and take exams are becoming less and less effective because in an ever-growing number of societies young people have mastered learning – primarily of what interests them – by using digital technology. And as students get older (usually by middle school), they become less and less tolerant of traditional learning system, often tune out, reducing the effectiveness of traditional learning.[34] Individuals – younger persons especially – are curious, want to learn, but their learning focuses on what they are interested in, on what they need, including what they need to solve problems at the workplace.

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[34] An excellent, though perhaps a bit overstated, critique of traditional teaching, and suggestions for more effective alternative ways of learning, can be found in Clark Aldrich, *Unschooling Rules* (Austin, Texas: Green Leaf Books, 2011).

Thanks to leapfrog advances in information on just about anything, and that nearly all can be accessed via the internet, individuals usually find what they need. Maybe they do not always find the "best" information among the huge number of "hits" on any topic, but what they find is adequate for their purposes. Especially so because they reduce the randomness of their search for information by plugging into a variety of networks on work- and non-work-related issues, getting timely advice from others who have similar interests and expertise on the topic.

In the modern world, the most basic and important tool of learning – access to the internet via tablets, smart phones and other devices – is the personal property of each individual, whether he or she is at the workplace, engaged in work outside the office, or is doing something else. Neither the content of, nor the access to the information that an organization would like its employees (and other stakeholders) to learn is no longer the exclusive property of the information provider, such as a school or the employer's training program; most things are available on the internet free, or at a modest charge, for individuals.

These are some of the reasons why the traditional, formal, centrally-decided, employee-group-training programs have been declining in importance. Leading experts are suggesting that employers should offer – to the Millennials and to generation Z members especially -- those types of individual skill development programs that are initiated by the to-be-trained themselves. Money spent on programs selected by the beneficiaries themselves (who are often more savvy about what's out there than are the staff at an organization's HR unit) is sure

to be a more effective use of an organization's training budget than the still prevalent "top-down" group training programs.[35]

Learning should be "just-in-time" and continuous, making effective use of various expert networks, which includes not just friends, acquaintances and colleagues but the entire personal global network of each and every individual. Organizations have no direct or indirect control over this network of knowledge and experience transfer.

One implication of these changes in technology, information, and culture is that management/leadership is already – and should further become -- much more value rather than control oriented. This is the essence of the philosophy that undergirds Flow-based leadership practices. This means, among other things, that managers/leaders haves to create a work environment which enables and supports this type of learning. Since the control over learning is largely absent, trust must replace more and more of old-fashioned control. Traditional organizations are typically based on the power of control (one of the most important and valued source of power for management, not easy for them to reduce significantly).

This is one of the reasons why Flow-based management is not just a nice idea, not just something "extra" to have or to add, but is becoming an essential system of management, rooted in a set of values and principles, issues we'll discuss in our follow-up Working Paper in this series.

<p style="text-align:center">*   *   *</p>

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[35] See, for example, Thomas Koulopoulos and Dan Keldsen in *The Generation Z Effect: The Six Forces Shaping the Future of Business* (Boston: Bibliomotion, 2014).

Our subsequent working paper, *Flow-Leadership: Theory and Practice*, will focus on topics, such as the Flow-based frameworks of individual ethical and leadership responsibilities; pragmatic recommendations for creating Flow-promoting workplaces; and how to motivate individuals and groups to adopt Flow-based values and leadership practices.

Appendix A: Common Competencies of Managers and Leaders

The two partners of the Zenger/Folkman Leadership Development Consultancy gained access to a dataset containing about 333,000 responses from bosses, peers, and subordinates to the question: "What skills have the greatest impact on a leader's success in the position you [the respondent] are holding today [that is, at the time the individual was completing the survey]?" Respondents were asked to select the top four competencies from a list of 16 that was provided to them.

The tabulation below shows the ranking of those skills that were identified as being among the four most important for all management positions.

WHAT LEADERSHIP SKILLS DO YOU NEED MOST?
These competencies were voted the most important for all management positions.

Competency	Percentage
Inspires and motivates others	38%
Displays high integrity and honesty	37
Solves problems and analyzes issues	37
Drives for results	36
Communicates powerfully and prolifically	35
Collaborates and promotes teamwork	33
Builds relationships	30
Displays technical or professional expertise	27
Displays a strategic perspective	24
Develops others	21
Takes initiative	19
Innovates	16
Champions change	16
Connects the group to the outside world	12
Establishes stretch goals	10
Practices self-development	9

Source: Reproduced from the HBR article by Zenger and Folkman, cited in the text, fn. 17.

Appendix B: Characteristics of Five US Generations

1927-1945: Mature/Silent

- Suffocating conformity;
- Women generally stayed home to raise children or took jobs as teachers, nurses, secretaries;
- Men pledged loyalty to the corporation and expected to keep a job for life;
- Divorce and children out of wedlock greatly frowned upon.

1946-1964: Baby Boomers

- This generation is comprised of two distinct subsets: the save-the-world revolutionaries of the '60s and '70s and the party-hardy career climbers (Yuppies) of the '70s/'80s;
- Both are the "me" generation; buy a lot on credit;
- Women enter the labor force in large numbers; divorce and non-conventional sexual preferences are slowly accepted;
- The Yuppie generation: positive about hierarchy, authority and tradition; enjoyed a lifetime of prosperity.

1965- 1980: Generation X

- Entrepreneurial; individualistic; increasingly tolerant;
- Late to marry; quick to divorce; many single parents;
- Into labels and brand names; large credit card debts;
- Suspicious of organizations and authority.

1981-2000: Generation Y: The Millennials

- o Never known a world without computers; get all info from, and socialize on the www;

- o Accustomed to a 24/7 pace; expect instant processing and response; want a work-life balance;

- o Assertive; prefer to work in teams.

Born after 2000: Generation Z/Boomlets

- o By age four become less interested in toys and begin to desire electronics, such as cell phones and video games;[36]

- o Savvy consumers; know what they want and how to get it;

- o Saturated with brands;

- o Even more prolific use of social media than the Millennials.

Source: Based largely on http://www.marketingteacher.com/the-six-living-generations-in-america/

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[36] In the 1990s, the average age of children playing with Mattel's Barbie doll was 10; during the 2000s it dropped to three.