



Re-framing Strategic Preparedness: An Essay on Practical Wisdom

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Abstract

The strategic challenge of how organizations can become more prepared for unexpected events has risen in importance in recent years. It has become increasingly clear that organizational leaders require not only knowledge and skills but also ethical values as they make preparations in response to potentially overwhelming risks. In this theoretical essay, we explore the concept of *practical wisdom* within the growing stream of research that focused on the practices of strategy-making. In view of philosophical, psychological and organizational research, we develop an interpretative model of practical wisdom to guide future empirical research that describes and deliberates about preparedness-related practices that are both effective *and* ethical.

Keywords: practical wisdom, strategy, practice.

1. Introduction

Following the events of 9-11, the strategic challenge of how organizations can become more prepared for unexpected events has risen significantly on the corporate leadership agenda.¹ The first step taken by organizations toward increased levels of preparedness traditionally involves 'thinking the unthinkable'.² And yet, as the scale of potential losses has apparently increased in recent years (not only in view of the 9-11 attacks, but additionally in view of Enron, WorldCom and other multi-million dollar corporate scandals, as well as the recent natural disaster in Southeast Asia), strategy-makers who 'think the unthinkable' increasingly confront a particular practical problem. In short, the various 'thinkable' scenarios can appear so great (in number as well as in scale) that the task of becoming adequately prepared for them all stretches the limits of available resources. This practical problem becomes acute when the resources required to build up a response capacity in anticipation of a series of 'thinkable' events exceeds the sum total of resources available. And in the most extreme case, the costs of preparedness can exceed the total value of that organization which seeks preparedness in the first place.³

When the need for preparedness stretches beyond the organization's available resources, leaders require the best available knowledge and the best available skills as they seek strategically to respond. But additionally, as the need for preparedness approaches the apparent limits of what is thinkable or possible, strategy-makers have no choice but to make normative, ethical judgments concerning the acceptability of certain risks. In this sense, the need for preparedness requires strategic leadership that is ethical, i.e., based on values.

In this essay, we attempt to re-frame the response to the challenge of preparedness in terms of *practical wisdom*.⁴ This ancient ethical concept has been recently revived within the humanities and social sciences, and special attention has been paid to practical wisdom

¹ *Managing Risk: An Assessment of CEO Preparedness* (2004) provides an exemplary, practitioner-oriented account of this challenge, including data that compares the perceived threat of terrorist attack to the perceived threat of currency fluctuation, among other events (PriceWaterhouseCoopers, 2004).

² This adage has informed the entire modern history of scenario planning since Hermann Kahn, and it continues to be invoked by crisis management theorists: e.g., Mitroff & Alpaslan (2003).

³ A report issued by the Council on Foreign Relations provides a particularly succinct statement of this predicament: "We could spend our entire GNP and still be unprepared." (2003).

⁴ Cf. Aristotle (1962), and for a comprehensive reprisal in modern philosophical terms, cf. Gadamer (2002 [1960]).

as a form of human intelligence related to, yet distinct from rational understanding.⁵ Management and organizational scholars have explored the relevance of practical wisdom to strategizing under conditions of uncertainty,⁶ to ethical action in the face of unexpected change,⁷ and to the forms of management education that appear to contribute to the development of such capacities.⁸ Our own consideration of the concept is informed by the growing stream of literature that seeks to understand the 'practices' involved with strategy-making.⁹ Within this literature, it has been suggested that the concept of practical wisdom provides a way to describe a particular form of intelligence that is most appropriate for dealing effectively *and* ethically with unexpected change,¹⁰ but this suggestion has not yet been fully explored.

Thus in the interest of guiding future research focused on the specific practices that contribute to strategic preparedness, this essay consists of a more detailed and thorough exploration of the concept of practical wisdom, its heritage, and its significance for management and organization studies. We begin with a genealogy in which we explore the origins of the concept of practical wisdom in ancient Greek philosophy, as well as its modern vestiges in various academic disciplines (including philosophy and psychology as well as organization studies). Then we continue with a presentation of an interpretative framework that includes elements of the existing 'balance theory' of wisdom¹¹ as well as extensions of that theory that we believe make it more amenable for use in organizational contexts. We conclude with a discussion of the implications of the concept of practical wisdom for researchers focused on the 'practice' of strategy, as well as for those strategy-makers and leaders who are confronted by the challenge of preparedness.

⁵ E.g., Sternberg (1998), Baltes & Kunzmann (2004).

⁶ Wilson & Jarzabkowski (2004).

⁷ Tsoukas & Cummings (1997)

⁸ Clegg & Ross-Smith (2003)

⁹ Cf. e.g., Balogun, Huff & Johnson (2003); Hendry & Seidl (2003); Heracleous (2003); Jarzabkowski (2004); Johnson, Melin & Whittington (2003); Régner (2003); Whittington (2003).

¹⁰ Wilson & Jarzabkowski (2004).

¹¹ Sternberg (1998).

2. *A genealogy of practical wisdom*

A. Ancient roots

In order to understand what the term 'practical wisdom' refers to, we begin by considering a distinction drawn thousands of years ago between scientific knowledge, cunning intelligence and practical wisdom. In the *Nicomachean Ethics*, Aristotle claims that scientific knowledge ('episteme') seeks to understand the necessary laws and principles of things in the natural world. Aristotle's articulation of this claim (in the *Ethics* as well as the *Physics* and the *Metaphysics*) has provided a foundational touchstone for all the modern traditions of inquiry in the natural sciences – where every appearance of change or transformation is generally presumed to occur in accordance with a principle or law which itself does not change, but holds by necessity and in eternity.

Distinct from science according to Aristotle is cunning intelligence ('metis'), which seeks not truth but advantage. In the *Nicomachean Ethics*, Aristotle associates this form of intelligence with military generals who seek victory, politicians who seek to convince other people using rhetoric, and doctors who seek to preserve health. Aristotle introduces these examples to illustrate contexts for action in which the means of action are not nearly so important as the end, which is sought for its own sake. This form of intelligence was certainly prized by the ancient Greeks – viz., Odysseus, whose cunning enabled him to survive his great voyage and make it home in time to save his lonely wife from marauding suitors. At the same time, the Greeks also recognized that cunning could present significant dangers to the well-governed state, especially insofar as it could involve deception and lawlessness in pursuit of advantage.

Aristotle rejected the notion that scientific knowledge could be applied to the human social world because he assumed that it was too complex and unpredictable to be known with any certainty. At the same time, he did not believe that cunning alone was capable of promoting the 'good life' – indeed, he was generally skeptical about using the goals of an action to justify its means, and he flatly refused to accept the notion (later popularised by Machiavelli) that 'might makes right'. By extension, we can say that on one hand Aristotle rejected the contemporary positivist search for formal, *a priori* content and process variables

pertaining to strategic management, while on the other hand, he rejected the neoclassical economic theory that the pursuit of competitive advantage on an individual or collective basis was a moral good in itself.

Precisely in view of the tension between science and cunning, Aristotle defines practical wisdom ('phronesis') as *the virtuous habit of making decisions and taking actions that serve the common good*. This distinct form of human intelligence effectively serves the good of the community even in the face of ambiguous or uncertain circumstances. Thus precisely where the predictive capacity of scientific knowledge breaks down, practical wisdom addresses normative considerations about what future *should* occur. Similarly, though practical wisdom may draw on cunning to realize such normative goals, it disciplines cunning to avoid deception and to focus on advantages that may be shared by all members of society.

In this sense, the term 'practical wisdom' refers to an optimal (i.e., 'virtuous') orientation toward uncertainty. The practically wise individual recognizes that actions are always constrained to some extent by fate, luck and contextual circumstances – and yet precisely in view of such circumstances, acts in such a way as to preserve and enhance the well-being ('eudaimonia') of society.

If we parse Aristotle's conceptualization of practical wisdom more carefully,¹² we find that it includes four distinct elements that are directly relevant to the practical problem of preparedness that we identified above. First, where the need for preparedness begins with the question 'prepared for what scenario(s)?', practical wisdom involves first and foremost the (thinkable) goals and desires of the individual who seeks to make a judgment and take action. Secondly, where organizational leaders must define parameters of acceptable risk and justify actions taken (or not taken) at the limits of the thinkable and the possible, practical wisdom involves the affirmation that actions such as the one in question are good for the community of stakeholders. Third, where leaders and strategy-makers select specific strategies and tactics in response to the need for preparedness, practical wisdom involves the explicit claim that, based on available information and perceptions, the specific action in question will provide an instantiation of that ethical value. And finally, because Aristotle would be unwilling

¹² In this passage we follow an analysis presented in MacIntyre (1981: 161-162).

to concede that anyone could truly know what is good for society without actually doing it, practical wisdom necessarily involves the habit of taking the action itself.

As we consider Aristotle's conception of practical wisdom as a starting point for our own consideration of its relevance to the challenge of preparedness, it is important to acknowledge the extent to which this ancient tradition of interest in wisdom has faded significantly with the rise of modern sciences over the last several hundred years.

Indeed, while for centuries wisdom flourished as a complement and guide to the sciences, following the Enlightenment it came to be associated more readily with theology and folktales, deemed a softer, second cousin to science, incapable of generating the kinds of fact-based, 'hard' truth necessary for modern life. Management as a form of reflective social practice has itself arisen within the modern, scientific prejudice toward necessity and against uncertainty, that is, toward knowledge of objective laws and principles, against subjective normativity. For better or for worse, this prejudice holds even more firmly within the academic tradition of management studies than it does among practicing managers.

Thus we acknowledge that by re-framing the response to the challenge of preparedness in terms of practical wisdom, we risk losing the attention of those scholars and practitioners who have been trained to prefer the certainty of the empirical sciences (together with its formal models, statistical analyses, etc.) to the vagaries of politics and ethics. In deference to these colleagues and critics, we point out that of all contemporary human pursuits, management, precisely to the extent that it deals directly with the uncertainty, ambiguity and unpredictability of the future, appears uniquely to stretch the limits of scientific understanding and to call for alternative epistemological frameworks.

To be sure, many scholars and proponents of 'scientific management' may regard the popular business section in the bookstore as a pile of claptrap equivalent in rigor and bottom-line value to the spirituality or self-help sections. Without denying the importance of methodological rigor and peer review, we regard the ongoing proliferation of practitioner-oriented management books simply as evidence that people continue in spite of the bias toward science to seek (precisely by reading the personal anecdotes offered by successful

leaders, gurus and CEO's) what Aristotle and many others have referred to as practical wisdom.

Our question is: to what extent can this practitioner-driven interest in wisdom be cultivated and refined in such a way as to have positive impact for those organizations that struggle to become more prepared for the unexpected? We suggest that any attempt to answer this question should take into consideration the various research streams within different fields of study that currently focus on the relevance of practical wisdom for today's world.

B. Modern vestiges

If we follow the standard academic disciplinary segmentations, there is little doubt that the significance of 'practical wisdom' is discussed and debated most frequently and most intensely among philosophers. Aristotle's differentiation of ethics from physics and metaphysics was so decisive that it shaped and guided two thousand years worth of philosophical writing and teaching – indeed today no professional ethicist worth his or her salt would dare be caught in the campus pub without an opinion or two about Aristotle's concept of *phronesis*. Within the canonical echo chamber of 'the Western philosophical tradition' such opinions are typically articulated in accordance with subsequent sub-streams of commentary, notably including the classical Stoics, the medieval Thomists, the German Romantics, the utilitarians, the virtue ethicists, etc.

We should therefore acknowledge that there is a contemporary stream of interest in practical wisdom focused on moral values that are conservative in their political orientation.¹³ There is also a strand of interest in practical wisdom focused on interpretive theories of political action and ethical obligation that take a much more liberal, hermeneutic viewpoint on justice in a participatory democracy.¹⁴ For our purposes, this point of tension only further illustrates how at the limits of knowledge and action a need arises for value judgments. Whether the well-being of an individual or a community should be judged with respect to traditional, conservative values or instead with respect to progressive, liberal values – both

¹³ Here, see the influence of Strauss on the neoconservative movement in government as well as on the streams of philosophical ethics that appeal implicitly or explicitly to religious dogmas.

¹⁴ See for example the entire series of publications in Verso under the heading "Phronesis", edited by Ernesto Laclau.

cases support our claim that need for preparedness calls for practical wisdom, not exclusively science or cunning.

These outlines of the philosophical tradition provide rough indications of its breadth and depth, though it remains impossible to account for it comprehensively in this essay. It may however be possible to identify that philosophical conceptualization of practical wisdom which seems most appropriate to the strategic challenge of preparedness as we have defined it. In that respect, insofar as the need for preparedness stretches the limits of what is thinkable and possible, management researchers cannot accept any conceptualization that begins with or leads to any kind of moral truth or certainty. Similarly, we must avoid any conceptualization that cleaves to any otherworldly or metaphysical principles. Finally, we must avoid any suggestion that practical wisdom refers to a codifiable quantum of information which can, as it were, be known independently of the unexpected event itself.

Instead, the need for preparedness points toward those philosophical conceptualizations of practical wisdom that emphasize processes of interpretation, focus concretely on the here-and-now, and refer to the performative enactment of the common good. These criteria point particularly toward the conception of practical wisdom articulated by Hans-Georg Gadamer, who in his discussion of Aristotle's ethics claims that "we do not learn moral knowledge, nor can we forget it. We do not stand over against it, as if it were something that we can acquire or not, as we can choose to acquire an objective skill... Rather, we are always already in the situation of having to act..."¹⁵ On Gadamer's analysis, practical wisdom refers to the immanent and ongoing interpretative process of evaluating both means and ends, and applying schemata (i.e., ideals, principles) that emerge only as they are concretized in and through the action itself. In this sense, we can say that in the face of an unexpected or ambiguous event, the common good is performatively enacted (in ways that Gadamer goes on to characterize as playful and creative) in and through a practically wise response.¹⁶

¹⁵ Gadamer (2002 [1960]: 317).

¹⁶ Again, we confront the difference between theoretical, epistemic understanding and practical or ethical understanding. We should note that the claim that ethics (not metaphysics) is the 'first philosophy' has been raised by Levinas. What Gadamer refers to as the ethical significance of philosophical method arises in an adjacent stream of political and social philosophical debate (including, for example Habermas, Rawls and Sen) concerning justice. Gadamer himself claims that

If Gadamer's conceptualization of practical wisdom seems to raise more questions than it answers, we may characterize that effect as intrinsic to philosophy, or we may equally affirm the pragmatic, even ethical relevance of such an unsettling process.¹⁷ But for better or for worse, the behavioral sciences are by contrast more directly conditioned by the drive to settle questions rather than raise them. And so we now turn to consider how psychologists have begun in the last few decades to work through the philosophical tradition and situate the concept of practical wisdom with respect to modern theories of intelligence.

In this field, practical wisdom is now variously characterized as 'an expert knowledge system',¹⁸ as 'the application of intelligence, creativity and knowledge',¹⁹ and as 'an integration of cognitive, reflective and affective personality characteristics'.²⁰ Practical wisdom has also been associated with such positive human qualities as good judgment skills, psychological health, humor, autonomy, and maturity.²¹ Educational psychologists have further emphasized the importance of imagination for the development and exercise of wisdom.²²

But again, the peculiar constraints inherent in the organizational challenge of preparedness directs our attention toward one particular psychological conception of wisdom. According to the 'balance theory',²³ practical wisdom involves

"the application of intelligence, creativity, and knowledge to the common good by balancing intrapersonal (one's own) interpersonal (others'), and extrapersonal (institutional or other larger) interests over the long and short terms, through the mediation of values, so as to adopt to, shape and select environments."²⁴

the social sciences cannot be distinguished from morality, and in this way sides with Foucault's claims that knowledge and power are inextricably tied.

¹⁷ As Anthony Kronman, Yale Law School dean calls (1995) for the return of the 'lawyer-statesman' capable of practically wise decisions and actions, he recognizes the importance of this questioning method (and its limits) for the practice of law.

¹⁸ Baltes & Kuntzman (2004).

¹⁹ Sternberg (2004).

²⁰ Ardel (2004: 274).

²¹ Citation information for each of these qualities can be found in Ardel (2004: 280).

²² Noel (1999).

²³ Sternberg (1998, 2001, 2004).

²⁴ Sternberg (2004: 287).

We will address this theory in greater detail below – but for the moment we wish to underscore how the emphasis on balance (a direct inheritance from Aristotle) requires an integrated understanding of the relationships between the individual, the organization and the world around them. Indeed, decisions and actions taken in the name of preparedness should not be understood as generic functions that exist independently of the context – instead, precisely because it addresses a future that cannot be known, preparedness remains necessarily context-specific, provisionally balancing on the threshold of uncertainty. In this sense, practical wisdom is not a body of knowledge, but instead an embodied habit, a performative act of ‘playing the game’.²⁵

Continuing our genealogy of practical wisdom in contemporary scholarship, we find that the relevance of such game-playing virtuosity has not been ignored by organizational scholars, who have also begun to focus increasingly on practical wisdom as a way to describe normatively optimal or ‘virtuoso’ performance in the face of uncertainty or ambiguity. Clegg and Ross Smith write for example that:

“Management is bounded by great depths of uncertainty and ignorance within which it is constituted, which is what makes the discipline a candidate for treatment as an example of ‘*phronesis*’ rather than of a context-independent, objective and value-free rationalist science. *Phronesis*, an Aristotelian term, refers to a discipline that is pragmatic, variable, context depending, based on practical rationality, leading not to a concern with generating formal covering law-like explanations but to building contextual, case-based knowledge.”²⁶

In turn, Tsoukas and Cummings acknowledge that the contextual, case-based knowledge typical of *phronesis* represents a much-needed departure from the tradition of ‘scientific management’:

²⁵ This notion of practical wisdom as a practice of play has been elaborated by Dreyfus and Dreyfus, as argued in Flyvbjerg (2001), Benner (2004) and Halverson (2004). Bourdieu’s direct comments on practical reason (1998) must be considered in view of his broader characterizations of human social action, especially with regard to the concepts of ‘*habitus*’ (which he defines explicitly in reference to the Aristotelian notion of virtue as a ‘*hexis*’, or habituated practice.

²⁶ Clegg and Ross-Smith (2003: 86).

“The formal-cum-abstract mode of reasoning which was so highly valued by the early organization theorists (see e.g., Thomson, 1956-7: 103) is now seen as too crude to account for a multifaceted and ambiguous reality. Practical knowledge is no longer conceived in quasi-algorithmic terms, as the application of generic formulae, but in terms of acting wisely, being able to close the ‘phronetic gap’ (Taylor, 1993: 57) that almost inevitably exists between a formula and its enactment.”²⁷

Wilson and Jarzabkowski have tried to show how practical wisdom becomes relevant whenever strategy-makers exhaust the capacity of algorithms and formal models to guide the organization:

“Practical wisdom has much to do with the skill and knowledge of the strategist, who realizes both existing knowledge of the market and firm and its aspirations practically, through the performance of a particular strategy, involving multiple negotiations, truces, agreements, investments and commitments (Hendry, 2000). Practical wisdom thus captures the oscillation between animation and orientation that comprises strategic thinking and acting (Cummings and Wilson, 2003). It is, however, an under-researched topic so that we lack a comprehensive understanding of what constitutes the political, social, cultural, conceptual and material resources through which such oscillation occurs (Whittington, 2003).”²⁸

²⁷ Tsoukas and Cummings (1997: 8 of 12).

²⁸ Wilson and Jarzabkowski (2004: 16). As an aside, it is also relevant here to acknowledge those organizational scholars who have explicitly considered the question of method with regard to practical wisdom. Broadly, it would appear that not only is practical wisdom relevant for organizational practice, but additionally, for the embodied, intentional practice of organizational research. For example, Flyvbjerg writes that:

“Phronetic social science explores historic circumstances and current practices to find avenues to praxis. The task of phronetic social science is to clarify and deliberate about the problems and risks we face and to outline how things may be done differently, in full knowledge that we cannot find ultimate answers to these questions or even a single version of what the questions are” (2001: 140).

Olaf Eikeland picks up on this line of argument writes in support of action research methodologies as follows:

“My interpretation of Aristotle’s orientation toward practice does not, however, focus unilaterally on prudence as an alternative to, or even a replacement for, theoretical reason, but

Thus throughout the various ancient and modern streams of research covered in the preceding genealogy, we find a set of common considerations, including:

- 1) An interest in describing the form of human intelligence that is most relevant for, and appropriate to ambiguous or uncertain circumstances in which the limits of scientific knowledge and cunning action are approached or surpassed;
- 2) An acknowledgement that this unique form of intelligence must be both effective *and* ethical; and
- 3) An emphasis on the extent to which this particular form of knowledge cannot be dissociated from the normativity of action, or rather, the extent to which practical wisdom is itself nothing other than a creative enactment of the common good.

We believe that these considerations have several provisional, implications for how the strategic challenge of preparedness should be framed. First, as a concept, practical wisdom provides a meaningful way to describe the positive or optimal response to the need for preparedness. Secondly, as a virtuous pattern of behavior, practical wisdom can contribute to the preparedness objective at all organizational levels and on an ongoing basis.

In an effort to explore these implications, and to discover how practical wisdom might emerge in specific organizational contexts, we now proceed with the development of a dynamic model of practical wisdom.

3. An Interpretative Framework

Following the above genealogy, a number of crucial questions remain unanswered. Indeed, what is the common good? How is it defined? What evidence testifies to its presence or absence? How exactly is the relationship between certain habits of action and

rather, as indicated, on a different interpretation of theoretical reason itself” (Eikeland 2001: 148).

Finally, in an attempt to describe the implications of the Aristotelian concept of practical wisdom as a description of those forms of embodied, intentional action that are qualitatively or normatively valuable or better, Roland Calori writes:

“Following a pragmatic epistemology, the researcher and the researched should share time-space and action-reflection in face-to-face situations, in order to generate knowledge of acquaintance and transform it into knowledge about” (Calori 2002: 878).

the common good to be determined? As we have already indicated, entire traditions of debate within philosophy as well as political science and economics circle around such questions. Our endeavor in this essay is not to settle these debates. Instead, we leave such questions concerning the common good to be answered by organizational actors themselves, while we focus our attention on developing an interpretative framework that allows management and organizational researchers to identify those practically wise activities that contribute to increased preparedness in organizations. This framework does not necessarily imply direct, causal relations, but instead points toward potential nonlinear interactions between and among a multiplicity of factors. In this sense, it will hopefully guide future research that seeks to describe specific practices that are indicative of practical wisdom and its role with respect to the need for preparedness in specific organizational contexts.

A. The balance theory

From among the many different conceptualizations of practical wisdom cited above, we choose to base our interpretative framework on Robert Sternberg's 'balance theory of wisdom' for two reasons.

First, as we have already acknowledged, we find that the explicit emphasis on balance is most coherent with the Aristotelian differentiation between scientific knowledge and practical wisdom, and thus most appropriate to those situations in which the limits of the thinkable and the possible are approached. Second, with respect to the rhetoric as well as the logic of Sternberg's argumentation, we find the balance theory to be the most easily transportable across the boundaries of different fields, and the most amenable to theory development given the methodological conventions particular to the field of organizational studies.²⁹

²⁹ Whereas Gadamer's conception, for example, requires considerably more exegesis in order to present it in such a way as to be meaningful to management scholars and practitioners. While we hope one day to undertake this task, now is not the time for it. In any case, the question of 'theory development' presupposes an epistemology of empirical testing, etc. Such assumptions may be slightly out of joint with the pragmatic epistemology that emerges 'from within' practical wisdom, where the endeavor to generate predictive hypotheses has already been rejected. Still, we are inspired by Sternberg's own 'scientific' efforts in this regard, and we believe that organizational theorists might pursue a similar path. Indeed, here Flyvbjerg (2001) shows the way with his articulation of the precepts guiding 'phronetic social science'.

Alongside these characteristics of the balance theory of practical wisdom which recommend it as a basis for our own interpretative framework, we also recognize several limitations or weaknesses. First, its cognitivist assumptions make it difficult to account for, much less to integrate, the perceptual, aesthetic and affective dimensions of human experience. And second, the dynamisms inherent in 'balance' are not adequately represented by the model – in other words, the processual aspects of practical wisdom are not acknowledged explicitly.³⁰ These objections aside, we believe that the balance theory remains coherent with the requirements we set out at the beginning of this essay.

<<insert Fig. 1: The Balance Theory of Wisdom about here>>³¹

As we have seen above, practical wisdom should not be considered as a quantity of information, nor as a functioning capacity that exists independently of the function it performs. Instead, practical wisdom refers to an habituated pattern of actions that are normatively positive both in terms of their process and in terms of their outcome. The balance theory addresses the habituated aspects of practical wisdom in terms of 'tacit knowledge'.³² Furthermore, the balance theory indicates that every expression of our tacit knowledge is mediated through our values,³³ and thereby it captures the ethical normativity identified above. Finally, the balance theory uses the term 'common good' to describe the ethically normative goal or outcome of practically wise action. Sternberg's model additionally indicates that any action based on tacit knowledge and mediated by values in such a way as to serve the common good involves two distinct balances: of interests, and of responses to the environment.

The first of these balances pertains to intra-, inter- and extra-personal interests. Sternberg writes:

³⁰ Whereas within scientific rationality, time is the neutral dimension in accordance with which change can be independently measured, for practical wisdom time is itself experienced asymmetrically, and it involves history and memory as well as desire and anticipation.

³¹ From Sternberg (1998: 354).

³² Sternberg cites Polanyi (1976) as the source for his understanding of tacit knowledge.

³³ Sternberg cites Kohlberg, (1969, 1983) as the source for his understanding of moral values, and by extension, the common good as the highest of moral values.

“What kinds of considerations might be included under each of the three kinds of interests? Intrapersonal interests might include the desire to enhance one’s popularity or prestige, to make more money, to learn more, to increase one’s spiritual well-being, to increase one’s power, and so forth. Interpersonal interests might be quite similar, except as they apply to other people rather than oneself. Extrapersonal interests might include contributing to the welfare of one’s school, helping one’s community, contributing to the well-being of one’s country, serving God and so forth”³⁴

In view of this variety of different interpretative possibilities, we suggest that the boundaries between the three distinct types of interest may be effectively traced in organizational discourses by paying attention to how subject pronouns (i.e., the ‘me’, the ‘we’ and the ‘they’) are used. The functional demarcations between distinct interests in organizations might in turn be effectively traced using stakeholder analysis methodologies, or even in reference to concepts of organizational identity.³⁵

The second balance involves three distinct forms of response to the external environment. On this point Sternberg writes:

“In adaptation, the individual tries to find ways to conform to the existing environment that forms his or her context. Sometimes adaptation is the best course of action under a given set of circumstances. But typically one seeks a balance between adaptation and shaping, realizing that fit to an environment requires not only changing oneself, but changing the environment as well. When an individual finds it impossible or at least implausible to attain such a fit, he or she may decide to select a new environment altogether, leaving, for example , a job, a community, a marriage, or whatever.”³⁶

³⁴ Sternberg (2001: 231).

³⁵ E.g., Oliver & Roos (2005). For an account of how the broad, socio-cultural scope of this balance is performatively enacted in narrative and other forms of expression, cf. Benedict Anderson’s *Imagined Communities: Reflections on the Origin and Spread of Nationalism, Revised Ed.* New York: Verso, 1991.

³⁶ Sternberg (2001: 231).

We consider this balance of responses to the environment as an acknowledgement both of the capacity of humans to adapt to new circumstances, and of the limitations of that capacity. More importantly, we suggest that although the behaviorist logic of stimulus-response may adequately describe the adaptation of certain natural phenomena, the creative endeavor to shape existing environments and select new ones involves a reflective capacity that cannot easily be accounted for by classical behaviorist theories. Instead, we suggest that the theoretical framework most appropriate for future research on this balance is provided by the stream of complex adaptive systems theory that emphasizes the autopoiesis of human knowledge and behavior.³⁷

B. A Dynamic Model

We believe that Sternberg's theory, however robust, requires additional elements before it can be considered appropriate for the organizational challenge of preparedness. As noted above, our basic objections are 1) that the balance theory does not adequately account for the perceptual and other embodied dimensions of experience, and 2) that it does not adequately express the dynamisms that are inherent in the balances.

We believe that the individual-level balances as well as the tacit knowledge, values and notion of the common good remain in a more-or-less constant, dynamic relationship to the social and material world, and that this relationship is itself historically-situated and bound both by contingency and necessity with respect to an unpredictable future.³⁸ More specifically, we suggest that the mode of intentionality, the medium of action and the milieu in which actions take place remain crucially important for the description of practical wisdom in organizational contexts characterized by a need for preparedness.

<<insert Fig. 2: The Dynamic Model of Practical Wisdom about here>>

First, where Sternberg claims that the balance of interests is struck in view of short- and long-term future, we suggest that the consideration of short-, medium- and long-term time

³⁷ Cf. von Krogh & Roos (1995) and Oliver & Roos (2000).

³⁸ On this point, and throughout the following section, we are indebted to Dr. Greg Holliday at the University of Missouri-Columbia for his discussion inputs.

horizons is a distinct balance unto itself. In colloquial terms, we could characterize these horizons in terms of 'now', 'soon', and 'later on' – but doubtless these terms could be rendered more precisely through a phenomenological analysis of time consciousness.³⁹ In any case, by distinguishing this third balance, we are able to emphasize the historically contingent duration of different responses to the environment (in addition to the duration of different interests).

Second, we transform the structural model of wisdom as a goal-oriented linear movement (i.e., 'from tacit knowledge, mediated through values, and toward the common good), into a circular process in which each of these various dimensions of experience are co-constitutive of each other on an ongoing basis. It may seem at first like a category confusion to claim that the common good could have any indirect impact on the embodied tacit knowledge that people develop through experience. And yet, as Gadamer has argued, schemata such as the common good emerge and take shape only in and through the concrete circumstances for action. And values are performatively enacted whenever a practical judgment or appraisal of an uncertain situation is made. In this sense, we suggest that Sternberg's balance theory of wisdom can be extended if the common good, mediating values and tacit knowledge are presented in such a way as to emphasize their interdependency, or co-constitutive relation.

Third, we introduce three dynamisms pertaining specifically to the mode, medium and milieu of practically wise action. We believe that these dynamisms mediate the three balances by shaping the emerging circumstances (both in the individual and in the environment) in which practical wisdom is expressed.⁴⁰ In this regard, we begin by suggesting that the degree of control or influence which can be exercised by any individual or any organization can be characterized in terms of a particular '*mode*' of intentionality.⁴¹

³⁹ Cf. Heidegger (1982, 1986).

⁴⁰ Again, complex adaptive systems theory may provide the most appropriate metaphors to describe the interaction between the balances and the dynamisms.

⁴¹ As we turn then to problematize the mode of embodied intentionality we are inspired by Heidegger's differentiation between authentic and inauthentic 'modes' of intentional awareness. But rather than going at least initially or explicitly for the normative term of 'authenticity', it seems more appropriate to stick with the purely logical modality and refer to the relative degree of possibility and/or necessity that characterizes the dynamic relations between beings. We could here follow out these dynamics as they function between the researcher and researched, as well as between the strategy-maker or organization and its environment.

Within the philosophical tradition, the term 'intentionality' is used technically to refer to the way in which mind or consciousness is always directed toward objects – epistemologically speaking, the possibility of meaning as such is grounded in 'intentionality'. Non-technical uses of the term typically focus on the deliberate, willful or volitional character of certain actions, e.g., 'I intentionally walked up the street and unintentionally bumped into a friend'.

By differentiating between distinct 'modes' of intentionality with respect to practical wisdom, we wish to emphasize that the relationships between tacit knowledge, values and the common good are subject to dynamic change depending on the circumstances. We submit that people can be more or less deliberate about, and indeed, differently aware of the balances that they are striking, or not. Moreover, these different modes of intentionality are themselves not necessarily a matter of choice, but remain subject to dynamic change both in the affective state of the individual as well as in the material and social context. In this sense, we suggest that the balance theory of wisdom can be fruitfully extended with the addition of 'mode' as another category of relevant empirical and experiential data.⁴²

We also suggest that any attempt to balance interests, time horizons and environments depends significantly on the *medium* through which actions and decisions are expressed. We can start in a very banal way to understand what the medium of strategy-making consists of in reference to certain widespread, empirical patterns of activity. Traditionally, strategy-making

With respect then to different logical modalities, we can say that instrumental rationality privileges calculation and analysis to determine or approximate *necessary* relations (i.e., principles, laws, causal necessity). Here, the neo-classical economic tradition provides a basis, and really any formal model within strategic decision making (e.g., 5-forces, balanced scorecard, etc.) provides an instantiation or application of form of intentional awareness that privileges *necessary* relationships.

By contrast, practical wisdom would involve experimentation and action as a way to enact the possible. Here the model that most directly contrasts the homo economicus is homo ludens. There are several existing streams of strategy research that characterize strategy-making as a kind of creative enactment. For example, there is a stream of research that casts planning processes in terms of scenario learning (van der Heijden et al, 2002). Additional research has characterized strategy as creative action (Maclean, 2003). We should also refer to our own work on the concept of serious play in the concept of strategy making, as a mode of enactment that involves the creation or enactment of the possible (Roos et al, 2004).

⁴² For the purposes of situating these issues clearly within the preparedness field, we can refer to a distinction raised in the strategic management literature between deliberate and emergent strategy-making (Mintzberg & Waters, 1985).

involves some amalgam of the following media: PowerPoints, spreadsheets, flip charts, emails, binders, verbal discussions, phone calls, etc.⁴³

While we are not quite willing to accept the proposition that ‘the medium is the message’, we are similarly unwilling to accept the pure, cognitivist assertion that propositional content, i.e., meaning, exists completely independent of the form in which it is expressed. Stated positively, we believe that practical wisdom remains subject to dynamic change depending on media available for action and expression. Moreover, this dynamism pertains not only to the action of the individual who would be considered practically wise, but also to the actions and expressions of other people which bear upon that individual.⁴⁴ In this sense, we suggest that the balance theory of wisdom can be fruitfully extended with the addition of ‘medium’ as another category of relevant empirical and experiential data.

Finally, we suggest that the values as well as the common good remain subject to all the dynamics within a given *milieu*. As above, we believe that any action that balances interests, time horizons and environments, precisely to the extent that it draws on tacit knowledge, appeals to values and enacts the common good, must be considered and deliberated about in view of its contextual circumstances. We use the term ‘milieu’ as it has been deployed generically within the social sciences to refer to the cultural, historical and material environment. Additionally, to the extent that practically wise action must be considered ‘appropriate’ with respect to the context within which they emerge, we believe that the milieu can also be considered in aesthetic terms, where judgments of beauty and proportion or ‘fit’ are relevant.⁴⁵ Our suggestion is simply that these various elements of the milieu stand in a dynamic relationship to what is considered wise. In this sense, we suggest that the balance theory of wisdom can be fruitfully extended with the addition of ‘milieu’ as another category of relevant empirical and experiential data.

⁴³ The significance of the medium for the embodied habit of practical wisdom has been addressed by recent organizational aesthetic theory in terms of its context-specific capacity to transmit ‘*schwung*’ energy, defined as a sensitive, aesthetic balance involving “the pendulum movement between form and substance” (Guillet de Monthoux, 2004: 20).

⁴⁴ Indeed, from an actor-network theory perspective, we must equally consider the agency of non-human actors such technological artifacts, bureaucratic structures, etc.

⁴⁵ This connection between ethics and aesthetics was of course quite familiar to Aristotle. The modern tradition of dealing with this connection with respect to practical wisdom begins with Kant’s insistence, in the *Critique of Judgment*, that the idea of common sense exemplified the experience of the beautiful.

On the whole, we believe that these three dynamisms extend the explanatory power of the balance theory of wisdom 1) by emphasizing the contextual factors that contribute to the fragility or the robustness of the balances, and 2) by emphasizing the extent to which wisdom itself remains, in spite of every effort to develop it as a habit, subject to dynamic change. In this sense, practical wisdom should not be misunderstood as an object that exists in the world, or as an objectively-identifiable personality trait that is possessed definitively by certain individuals and not by others. Instead, practical wisdom should be understood as a habit, a practice, a pattern of actions that can emerge in certain circumstances, just as it can fade in others. Furthermore, the attempt to describe and deliberate about whether or not a particular action exemplifies 'wisdom', should be understood as interpretative processes through which specific norms are created and perpetuated.

We thus present this 'dynamic model of practical wisdom' as an interpretative framework that can 1) help researchers as well as practitioners to reflect on the ethical dimensions of leadership and strategy-making in the preparedness field, and thereby 2) encourage the development of habits that creatively enact the common good at the limits of the thinkable and the possible.

4. Conclusions and implications

In view of the practical problem confronting organizational leaders who find the need for preparedness stretching the limits of the thinkable and the possible, this essay has introduced the concept of practical wisdom and applied it to the challenge of preparedness in organizations. Our conclusions in this regard are as follows:

First, practically wise habits appear to serve as means toward the end of preparedness to the extent that they can help to expand and extend what is thinkable and possible for the organization. By successfully balancing time horizons, interests and relationships to the environment, strategy makers can gain new understanding, and by cultivating tacit knowledge they can extend the reach of action. And while such 'extensions' may remain unique to certain contextual or historical circumstances, we believe that it is nevertheless possible to describe and deliberate about practical wisdom as it is exemplified in the actions of others in

such a way as to create new ideas and new possibilities for action in present and future situations.

Second, given the ethical considerations that arise whenever certain parameters of risk are deemed 'acceptable', practical wisdom appears to provide organizational leaders and strategy-makers with a normative end in itself. Indeed, practically wise habits involve a qualitative improvement of human well-being on an everyday basis irrespective of the uncertainty of the future. With respect to preparedness in organizations, we believe that the promise of such improvement is best formulated as a series of critical questions. As organizations seek preparedness, what form of life are they affirming? How are the people in the organization thriving? How does that thriving impact on the thriving of others? By reflecting on such ethical questions at the limits of what is thinkable and what is possible – practically wise habits can be developed among strategy-makers and organizational leaders.

Of course, the practical problem confronting strategy-makers and organizational leaders who respond to the need for preparedness will not go away. And ultimately it cannot be known with any certainty whether a given organization is more or less prepared. What is worse, even when specific decisions and actions appear to exemplify practical wisdom, good ideas can still fail for unexpected reasons and well-intended bad ideas can still lead to terrible consequences. And yet precisely in view of these constraints, we suggest that practical wisdom provides a model of the form of human intelligence that is most suited to dealing ethically *and* effectively with such uncertainty and unpredictability.

For scholars, practical wisdom provides a way to describe how the definitions of 'acceptable risk' as well as the specific practices and activities involved in designing and implementing strategies to reduce or mitigate that risk involve normative balances of time horizons, interests and responses to the environment. For leaders and strategy-makers, explicit awareness of the three balances outlined above can help to sharpen the definition of zones of acceptable risk. In sum, in cases where organizations are surprised by the unthinkable and constrained by the impossible, the dynamic model of practical wisdom helps us to describe and deliberate about the extent to which specific practices enact the common good in such a way as to enhance preparedness.

In closing, we suggest that these considerations have several implications for the research stream focused on the practices involved with strategy-making. First, due perhaps to the dominance of scientific knowledge in the tradition of management research, the field retains a certain bias toward cognition and away from affect and aesthetics as categories of phenomena relevant to strategy-making. In this regard, we suggest simply that future research should be careful to integrate these and other important dimensions of embodied human experience alongside the cognitive and behavioural aspects of practice.⁴⁶

Secondly, the prejudice for command-and-control notions of leadership and strategy-making is also deeply rooted in the history of management theory and practice. While we do not deny that this notion of intentionality may be effective (and even wise) under certain circumstances, its limits are reached when the formal structure of command is itself overwhelmed by an unexpected change. In such cases, not only are decentralized organizational decision-making structures required, but additionally, other modes of intentionality are required. Once the limits of thought and action have been surpassed, individuals may very well have no choice but to 'go with the flow' and see what emerges. In this respect, future research should focus on those practices through which emergent forms of intentional action are cultivated and encouraged.⁴⁷

Finally, if we reflect critically on the practical problem that confronts strategy-makers at the limits of the thinkable and the possible, the underlying reason why the threat potential appears overwhelming is that it presupposes a relatively passive, stimulus-response logic. But the challenge of preparedness need not involve scripted responses (and resource deployments) for each 'thinkable' scenario.⁴⁸ The concept of practical wisdom indicates that preparedness need not be considered in such strict, stimulus-response terms. Instead, preparedness-related practices could be cast proactively in terms of social construction and enactment. We suggest that additional research in this area should therefore presuppose a

⁴⁶ E.g., Merleau-Ponty (1962); Varela et al (1992) and Küpers (under review).

⁴⁷ E.g., Roos, Victor & Statler (2004); Jacobs & Statler (2005).

⁴⁸ Specifically, with respect to the issue of responsiveness and responsivity, we refer to the work that is being done following the work of the German phenomenologist Waldenfels in which answers can be differentiated in terms of different forms of response logic, from the autistic response to the vigilant answer, in which the answer is invented in the process of answering.

fluid integration of decisions and actions within a specific historical and cultural milieu, while embracing and emphasizing the creative potential inherent in all human action.

Appendix

Figure 1: The Balance Theory of Wisdom

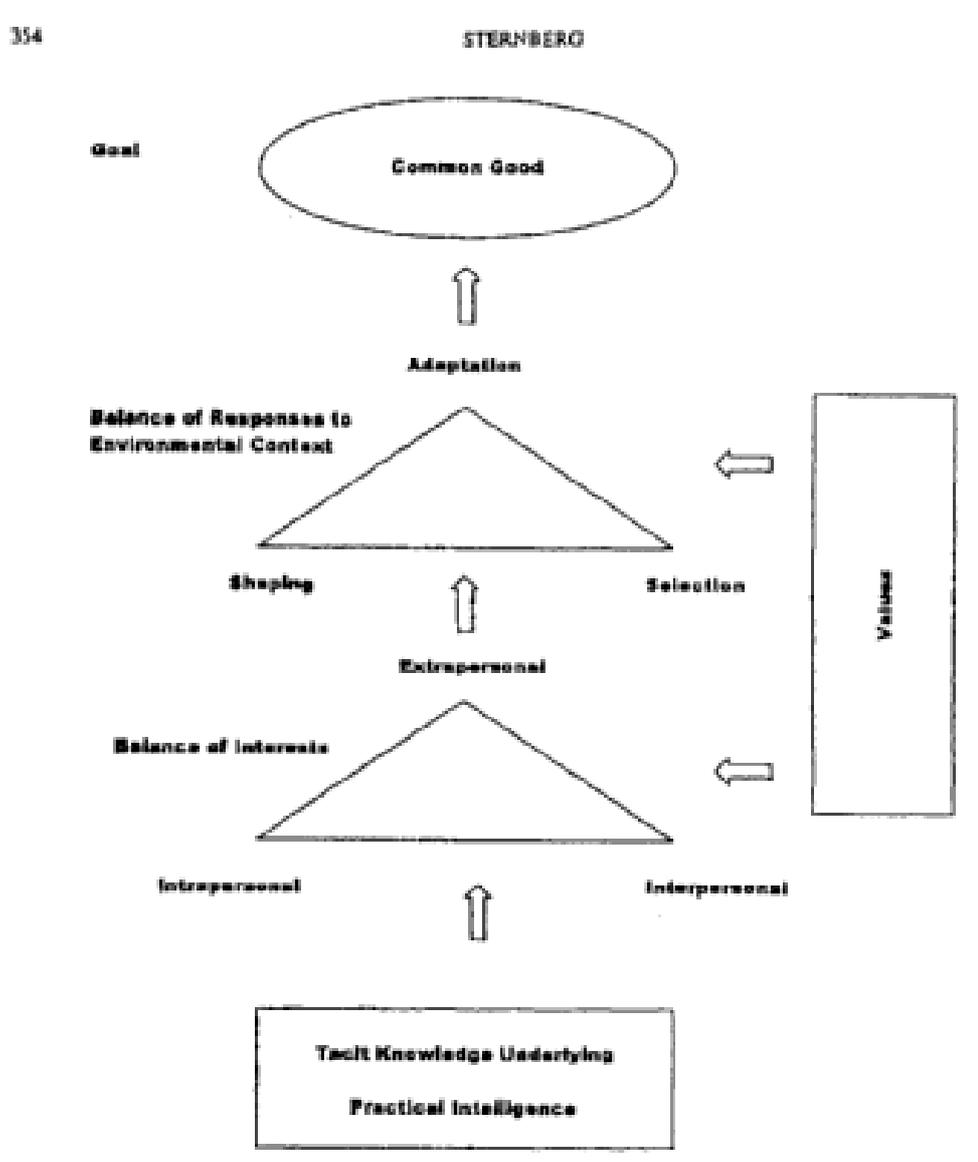
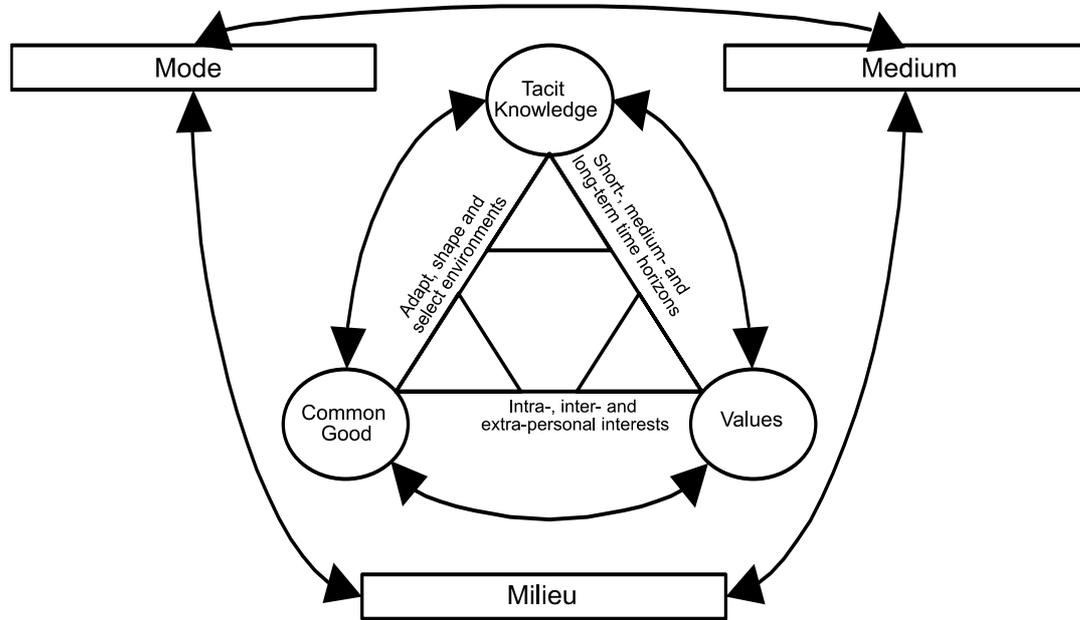


Figure 2: A Dynamic Model of Practical Wisdom

Dynamic model of practical wisdom



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