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1

Wise Management in Organisational Complexity: An Introduction

Mike Thompson and David Bevan

The mission of the China Europe International Business School (CEIBS) is to educate responsible leaders versed in ‘China Depth, Global Breadth’. The CEIBS Euro-China Centre for Leadership and Responsibility (ECCLAR) supports that mission by creating and disseminating knowledge on the practice and development of wise and responsible leadership especially in the corporate context. This collection of essays furthers that mission in providing a resource of wise praxis and reflection in the context of organisational complexity for managers, researchers and teachers in management education.

Interest in wisdom as a topic for research has been growing across the disciplines of organisational studies, leadership studies, philosophy, psychology and ethics. Blanchard-Fields and Norris (1995, p. 105) note that ‘wisdom has been legitimatised in the science of psychology by operationalising it into a knowledge system framework, i.e., borrowing from an established scientific approach’. Psychological theorists have posited that wisdom is a multidimensional construct characterised by cognitive, affective and behavioural dimensions that develop increasing integration over time; included in this latter process is the often painstaking effort at integrating opposing self-schemes and reflecting on the experiences of self and other (Kramer, 2000).

Scholarly attention to wisdom in management is, according to Mick, Bateman and Lutz (2009), either strictly conceptual, oriented solely toward the management field or focused on organisational level analysis (not individuals and their decision-making or behaviours). In the field of leadership studies, McKenna, Rooney and Kimberley (2009) have led the way in arguing for an augmentation of existing leadership models with the wisdom dimension. They argue that

wisdom is critically dependent on ethics, judgment, insight, creativity, and other transcendent forms of human intellection. Wisdom is concerned less with how much we know and more with what we do and how we act. Wisdom is a way of being and is fundamentally practical in a complex and uncertain world. (McKenna, Rooney and Kimberley, 2009, p. 187)

The authors of *Wise Management in Organisational Complexity* underpin their perspectives of wise management in business with the ideal of balancing the requirements of profit while wisely managing the implicit and explicit responsibilities of companies towards wider society. This dynamic balance is what Mary Gentile calls the higher purpose of business, or what may be regarded as the renovated ideal of the common good. Robert Chia, Robin Holt and Li Yuan give the example of Konusuke Matsushita as one person who exemplifies the dispositions of experienced ‘wise’ business people. Such individuals, they say, offer a service that reflects a ‘vocational opportunity to perfect oneself and at the same time contribute to the common good’ (p. 63). Jay Hays expresses this simply: ‘A wise act is a deliberate one that concerns the common good; it serves interests greater than the self’ (p. 138), and, as Li Yuan observes, ‘wise and virtuous business leadership in modern society not only benefits organisation, but also serves the wellbeing and harmony of society as a whole’ (p. 108). Their findings concur with the conclusions of Birren and Svensson (2005), who find that the promotion of the common good and rising above self-interest is one of the most consistent subcomponents of wisdom from both ancient and modern literature.

A distinctive feature of this volume is the various explications and applications of Aristotle’s notion of *phronèsis* (practical wisdom) described by Bernard McKenna as ‘the ability to act virtuously in difficult situations’ (p. 15). Jean-Jacques Rosé and François Lépineux provide a semantic analysis of *phronèsis* as a means of addressing the disruption caused by agents ‘forgetting all elementary principles of prudence, and playing a game as if it had no limits’ (p. 70). In such times of crises, short-termism and the dysfunctions of hubris challenge the effectiveness of quantitative management and ‘call for wise management so as to safeguard management itself’ (p. 69). For Rosé and Lépineux the antidote to this hubris is Aristotelian *phronèsis* which is ‘the spring that enables the definition of wise management for the twenty-first century’ (p. 76). They re-articulate the *phronèsis* of *Nicomachean Ethics* and *Politics*, nuanced by extensive and original references to postmodern, or continental, authors.

Peter Verhezen and Bernard McKenna each express a concern that instrumental rationality, such as formalistic corporate governance rules and pecuniary corporate incentives, should be adequately balanced with value rationality which, McKenna says, is becoming increasingly difficult if not impossible. He points to often well-intended but ultimately disabling regulations and laws that take agency from those who then follow safe legally endorsed courses rather than the wise course. The conflicts between wise decision-making and the quality of independence in corporate governance structures is addressed by Verhezen, who argues that boards that are genuinely guided by practical wisdom perceive *independence as a state of mind*, not as a legal compliance issue. For Verhezen, a wisdom approach to corporate governance is now required for managers, so that the prospect of pecuniary gain does not affect their decisions and actions adversely. Verhezen's view of managers is informed by readings of MacIntyre, for whom managers too easily operate 'outside of ethics' and seek only to fulfil actions. On this basis, corporate governance founded on managerial responsibility and accountability can only arise under wise leaders with the necessary integrity, knowledge and experience. This is a continuously emergent and reconstitutive process, or activity, involving integrity, knowledge and professional experience.

Phronēsis is one of three words that Aristotle uses in his discourses on wisdom and virtue. McKenna gives an overview of *technē*, the expert knowledge of a trade or profession); *nous*, an intuitive capacity, and *sophia*, a metaphysical capacity. Wisdom is thus presented as ultimately being concerned to enhance social *eudaimonia*, or human flourishing and living the virtuous life, specifically: humility, courage, temperance and justice. For Aristotle, McKenna says, 'the wise person acts virtuously when dealing with the shifting contingencies of life and situations. They do this by being reflexively intuitive and possessing human(e) instincts' (p. 15). His chapter also draws from philosophical and psychological paradigms to apply wisdom to an organisational context, suggesting that a tri-level framework (macro, meso and micro) is useful. McKenna then considers whether wisdom should be measured, and evaluates the measures used by the 'Berlin School', Sternberg and US empiricists. From this analysis, five core elements of wisdom are derived. However, he further argues that an ethical foundation and conation are necessary other components of wisdom and proposes a list of wisdom criteria as the foundation of 'social practice wisdom'. He summarises wise thinking as being 'rational, based on sound knowledge, but is also intuitive, ethical, and capable of metaphysical reflexivity. It is the

explicit combination of intuition and science, values and truth, intuition and transcendent cognitions to solve real-world problems' (p. 15).

In his chapter, 'Empirical Wisdom Research: A Community Approach', David Rooney puts forward the case for wisdom as an alternative research approach. He is critical of a hegemonic tendency he perceives in the rigid approach to research excellence predicated on a disciplinary silo approach to management. This, he suggests, has emphasised the tendency for business schools to become marginalised from management practice. Rooney challenges us to accept organisational complexity as a twenty-first-century 'given', and to extend our practice of wisdom to find new interdisciplinary, methodological and pedagogical approaches. He observes that contemporary empirical research about wisdom has been done by psychologists and that this research has added significantly to our knowledge of wisdom, but sociology (broadly defined) and business research is missing. Rooney wants to broaden the methodological spectrum beyond what psychologists have used with phronetic research which requires the integration of methodologies: ontology (ways of being and becoming), axiology (values and value), epistemology (knowledge creation), praxeology (enactment or application of knowledge) and *eudaimonia* (wellbeing or human flourishing). It is the integration of each of these into the foundations of a coherent methodology that matters.

Rooney's radical suggestion is to approach wisdom research through action, convened in community-of-practice type settings. He proposes that wisdom is the means, or at least a metaphorical lens, through which twenty-first-century academe may be reinvigorated through a complex systems approach. Rosé and Lépineux are likely to be in such a community-of-practice with their commitment to demonstrate how *phronèsis* can be the means that renders possible the integration of moderation into governance, so that economic transition and paradigm shift do not remain utopias but actually become the finalities of business praxis. Their approach will rely on an attempted synthesis of paradigms combined with the systemic integration of the empirical contribution of humanities and social science to management practice and education delivered by business schools according to the three levels of application of practical wisdom: micro, meso and macro.

Yuan explains why Chinese leadership research cannot be isolated from the Chinese cultural context, especially as defined in philosophical Confucianism in which ethics is inseparable from the practice of leadership. In her chapter, Yuan proposes a 'Confucian meritocracy' as a

leadership standard which fully values knowledge/ability/skill and ethics. Confucian meritocracy requires leadership by the *wise*, those who possess both virtue and ability in the Confucian sense.

Po-Keung Ip also finds meritocracy to be a central value in the practice of Wang Dao (the 'Kingly Way') management in the case of Stan Shih of the Acer Group and his commitment to the practice of Wangdao management. Both Mencius and Xunzi explained the nature of the Wang Dao/Kingly Way by contrasting it with a competing way of ruling – the Hegemony Way (Ba Dao), which was the dominant ruling philosophy and practice of the Warring States Period in Ancient China. Wang Dao is rule by moral rightness and benevolence in contrast to Ba Dao, meaning rule by brute force and conquest. The content of the classical idea of Wang Dao, which is political in nature, is reconstructed with respect to the core of the Confucian moral element – *ren* (benevolence), *yi* (rightness), *li* (ritual-following), *zhi* (wisdom) and *xin* (trustworthiness). Its organisation and corporate version is worked out as Kingly (Corporate) Governance. Ip explores the extent to which Kingly Governance is wise management based on recent conceptualisations of wisdom in the literature.

Mark Strom's chapter, "'To Know as We Are Known": Locating an Ancient Alternative to Virtues', presents a contrary view to Aristotle and the Hellenistic moral philosophers. Aristotle's schema, he argues, is elitist, not egalitarian and geared to the status quo and not to transformation. He explores the legacy of Paul of Tarsus which he asserts is obscured by anachronistic, Christian readings. But when Paul is read in terms of the history of ideas, several major innovations appear, and Strom focuses on three. First, grace inverted the Greco-Roman social pyramid. Second, 'transformation' entered Western vocabulary as a positive term. Third, a relational epistemology was outlined – 'to know as I am known' – that challenged the detached and elitist rationalisations of classical philosophy. The mode of this relational epistemology was faith, hope and love. Yuan also identifies love as a guiding virtue in Confucian thought. However, unlike the love espoused by Paul, based on grace, Confucian love is graded according to the proximity and distance of each relationship. Yuan explains that to deny the graded relationship is to obstruct the path of humanity and righteousness and even destroy the harmony of all things, as the hierarchy of everything that exists in the universe. Strom concludes that the innovation of grace reframed *phronèsis* from Aristotelian conventionality to a mindset that opened the way to the modern ideas of equality and fraternity. Transformation became a universal hope and knowledge was

reframed as relational: ‘to know as I am known’, animated by faith, hope and love.

Chia, Holt and Yuan in their chapter, ‘In Praise of Strategic Indirection: Towards a Non-instrumental Understanding of *Phronèsis* as Practical Wisdom’, draw on Western (Aristotle) and Eastern (Lao Tzu) concepts of wisdom to approach organisational complexity. They suggest that we abandon the established, dichotomy-laden thinking that leads to all strategy being based on pre-determined outcomes. In place of this purely rational approach, Chia, Holt and Yuan invite us to be less Western (seen as *direct*) and more Eastern (seen as *indirect*): not either/or, but both/and. Here they neologise the concept of *strategic indirection* as a means to non-deliberative change.

In addressing the context of organisational complexity the authors are, as with the focus of wise management, equally polyphonic and complementary. McKenna establishes complexity as an inherent contextual given of both organisational and social interaction, to the extent that any plausible exercise of wise management must be able to survive its paradoxical and incommensurable uncertainties. Complexity is a naturally occurring context that undermines ‘the natural human desire for linearity, predictability, and equilibrium’ (p. 27) and which, perhaps, suggests that some wise resilience is the optimal reaction. For Rooney this organisational complexity is also paradoxical as well as systemic. Complexity here is effectively globalised and – perhaps following such globalisation scholars as Scholte (2005), Beck (2000) and Giddens (1999) – it is a structural agent of multiple, unintended consequences, and must be considered in any reactions to paradoxical challenges. In many ways explicitly following McKenna, Simon Robinson, too, finds structural pragmatic links between complexity and globalisation. Robinson focuses on the trait of massification: ‘the increased numbers of students, partly realised because of the social narrative of equality of access, sets up another complex narrative around providing customers with the best possible experience, given increasingly limited human and material resources’ (p. 184).

On a similar tack, Rooney scopes and constructs his communitarian approach to social practice wisdom around the concept of

a complex, multidimensional integration that creates clarity and decisiveness through equanimity and corresponding dispositions that generate the insight, composure and motivation to deploy the resources needed to act excellently and successfully in the best interests of oneself, others and the planet. (p. 36)

The chapter most focused on complexity is that of Hays, who opens with dramatic urgency on this point:

The challenges confronting humanity today are many, stubborn, competing and tangled. They may be more complex and far-reaching than challenges posed at any time in the past. The modern age is turbulent and fraught with uncertainty and unpredictability. To make matters worse, the pace of change is relentless and accelerating. (p. 134)

This emergent hyperbole is justified by Hays's concern that in as much as complexity is one of the discernible causes, or features, of the contemporary global crisis, then higher education must do more to teach people/managers how to deal with it. For Hays this complexity revolves around a concern for rationally wicked problems (a theme signalled also in McKenna), which he elaborates with care. In consequence, 'the thinking requisite to solve wicked problems ... is characterised dialogically and dialectically; the former involving fair consideration of multiple perspectives, and the latter integrating or synthesising multiple and opposing views' (p. 137). The relationship between wisdom and complexity has to be symbiotic and inherently systemic.

In her chapter, Gentile echoes this symbiotic turn and suggests that one practical means of dislodging the wicked problems, foregrounded by Hays, may come from engagement in the vocalising of wise leadership values. Gentile nuances her well-established 'giving voice to values' (GVV) approach to teaching to explore how such an engaging process could be applied to leadership training and education while dealing with the complexities inherent in applying pure rationalism to values and ethics.

This apparent symbiosis is also a feature in the complexity of Verhezen, who suggests with a quasi-pragmatic rationale that

wisdom may be understood as a way of being that is fundamentally practical in a complex and uncertain world: the praxis to act rightly, depending on our ability to perceive the situation accurately, to have the appropriate intuition about such a situation or trend, to discern and reflect about what is appropriate in this particular situational context and to act upon it. (p. 201)

He shows complexity as being fraught with ambiguity and uncertainty; a complexity which evokes and elicits wisdom.

The hyperbole of Hays is echoed in a number of other chapters. Chia, Holt and Yuan take complexity as a tacit but structural subtext. Here complexity is inscribed in the following terms: ‘The social, economic and political world is currently experiencing an unprecedented level of nervousness and uncertainty characterised by instability, volatility and unexpected and disruptive change’ (p. 55). In their case this uncertainty becomes the foundation for a symbiotic, if potentially counter-intuitive, and innovative practice of wise management. For John Little, the complexity of organisational life is also a foundation of action: a given requiring a reinterpretation of intentionality in the practice of management.

For Rosé and Lépineux the complexity is more explicit and potentially destructive. Evoking postmodern – in the sense of critical and post-Kantian – authors, like Ricoeur and Serres, their worldview is one of complexity as the result, perhaps more than the cause, of ‘current crises and foreseeable perils’. In Yuan we see this argument offered from an alternate perspective in which organisational complexity is again structural: it arises as a consequence of the ‘dynamic interaction between the leader, follower and situation’. For Strom, complexity is an urgent contemporary danger:

The ambiguity, contradictions, and anomalies that accompany organisational complexity require ways of knowing that do not mask, but embrace, uncertainty. Complexity is more than complication: more than the sum of many puzzles amenable to logic. Complexity is fuzzy, ambiguous and uncertain. (p. 95)

Complexity is, at the same time, a mirror of humanness – and so something which we do not need to fear, but which we may need to deal with through ‘ways of knowing that are relational’ (p. 95).

Ip takes a constructive approach and formulates the common good as predicated on a harmonious balance which embraces or comprehends complexity:

the achievement of a common good through a balance among intrapersonal, interpersonal and extra-personal interests, over short and long terms, in order to achieve a balance among adaptation to existing environments, shaping of existing environments and the selection of new environments. (p. 125)

Without attempting to explore the complexity of the multiple overlaps across all the ideas developed in the chapters that follow, we draw

this introductory chapter to a close with a discussion of what appear to us to be the strands of an organising principle which we have conceptualised reflexively, after the event. It is clear that the works of Aristotle suggest one significant, unifying feature. Each chapter develops its own trace, but the whole work seems to rest on the foundation of questions that do not go away; or at least have not been resolved consensually in more than two millennia. For some readers – and perhaps simplistically at that – questions that take such a time to resolve might indicate that either we (academics) are dumb, or that there is not really a problem. Eschewing that simple dichotomy, we prefer to suggest that this says something important about the nature of knowledge and practice (at least in the field of management), which is elaborated succinctly but iteratively in this volume. Let us first consider some of the specific strands from Aristotle.

We have passed through a time when serious concerns about management education have evolved. Many of these concerns are reflected among our contributors, some of whom refer to a seminal article in the journal *Academy of Management Learning and Education* (Ghoshal, 2005). In this problematic context, wisdom, with its tacit understanding of and commitment to a good life, offers a different ontological lens and thus, we suggest tentatively, a different epistemology. Such a non-instrumental understanding of practical wisdom echoes Aristotle's most highly valued achievement of the good life in his conceptualisation of *eudaimonia* (the flourishing life):

It is held to be the mark of a prudent man to be able to deliberate well about what is good and advantageous for himself, not in some one department, for instance what is good for his health or strength, but what is advantageous as a means to the good life in general. (Aristotle, 1934: 6.5)

Our authors challenge us to think about wisdom afresh. Here, we suggest wisdom as a practice – perhaps a practice which is never completed, nor finished, never a totality of wise management as such, in the way that reason might force us to consider. In light of the wisdom captured in these pages lies an opportunity for personal self-discovery rather than an abstract concept for academic discussion, or a scientific reality which can be examined under a microscope.

Phronèsis is intrinsically about the *practice* of life and, in both Aristotelian and Confucian thought, is inseparable from practising the virtues which, in turn, become the axioms of wisdom, and potentially,

for wise management in organisational complexity. Malan and Kriger (1998, p. 249) reflect the view of many organisational researchers that ‘managerial wisdom is the ability to detect those fine nuances between what is right and what is not’. Nonaka and Takeuchi (2011, p. 60) argue that CEOs must draw on practical wisdom that ‘enables people to make prudent judgments and take actions based on the actual situation, guided by values and morals’. Such practical wisdom is, however, resistant to purely rational knowledge based on scientific certainties. As we have noted above in our comments on Aristotle’s incomplete, infinite practice, it cannot be reduced to a totality:

Dependence only on explicit knowledge prevents leaders from coping with change. The scientific, deductive, theory-first approach assumes a world independent of context and seeks answers that are universal and predictive. However, all social phenomena – including business – are context dependent, and analyzing them is meaningless unless you consider people’s goals, values, and interests. (Aristotle, 1934, 6.5)

To make prudent judgments people need a ‘mechanism’ or a routine to enable them to ‘transcend their egocentric viewpoint as they reason about self-relevant issues’ (Kross and Grossman, 2012, p. 43).

Additionally, and in recent years, there has been a significant body of psychological theory-informed research into the nature and experience of wisdom including conceptual constructions of a psychology of wisdom. Many of these studies in organisational behaviour, leadership and general management have also relied upon, included references to, and contemporary applications of an Aristotelian concept of wisdom. Among these we can identify not least the contributions of: Kunzmann and Baltes (2005); Melé (2010); Meynhardt (2010); Nikitin (2011); Nonaka and Takeuchi (2011).

Staudinger, Lopez and Baltes (1997) have proposed that creativity, social intelligence and cognitive styles offer the closest in measuring ‘wisdom related performance’ (pp. 1201–2). McKenna, in his reference to the work of the ‘Berlin School’, notes two basic criteria: rich self-knowledge based on deep insight and the heuristics of growth and self-regulation, particularly in relation to emotions and deep social relations. Wisdom, then, may be conceived as a human faculty of a perception of the self and the other/or others, held together in a way that provides an ability to make fine judgments which may be recognised as distinctively wise. But in describing an epistemological path in wisdom with such terms

we stray into almost unknown, phenomenological territories. Rooney argues that these concepts need to be integrated into the foundations of a coherent methodology in order to contribute to wise practice research. Rooney is not alone in challenging the contemporary limitations of positivism and the notion of certainties. McKenna, Gentile, Hays, Robinson, Rosé and Lépineux, Chia, Holt and Yuan, Strom, Little and Verhezen, each in their clear way, repudiate the certainties of positivism almost as if these themselves have an almost structurally negative effect on management and business. Along with Aristotle they rather encourage us away from digital either/or thinking to a continuous analogue of both/and practice.

The multiple crises facing the world call for attention to wise decision-making and for the development of wise managers who exemplify the characteristics of wisdom narrated extensively by the authors of this volume. Wisdom, as we, they and others have discussed, does not fit the pure and simple logical-positivist paradigm, nor the self-serving model of *homo economicus*; but at the same time it is entirely consistent with Drucker's (2001, p. 13) and Hamel's (2012, p. 354) description of management as a 'liberal art' and not just a scientific practice. The complexity of managing large-scale operations has reinforced the reality that 'right answers' are not always clear. Further, the demands for the 'right decisions' vary according to the agenda and priorities asserted by a range of sometimes contending, internal and external powerbrokers. At a macro level, the postmodern paradigm of business and society prevailing here leads to doubts about the scientific/rational choice-theory approach as the optimal means to arrive at decisions in an objective way. 'Since the Enlightenment, thinkers have progressively differentiated humanity from the rest of nature and have separated objective truth from subjective morality. The greatest challenge of postmodern society may reside in their reintegration' (Gladwin, Kennelly and Krause, 1995, p. 896). In this analogue way we suggest that a revival of wisdom in management practice is one of humankind's pressing and pragmatic antidotes.

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