

Next Practice

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Becoming More Prepared: The Role of Practical Wisdom

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The infinite need for preparedness

As uncertainty grows everywhere in the global business environment, CEO's are increasingly focusing their attention on risk management in addition to visions and missions. In order to identify potential threats, strategy-makers "think the unthinkable" – but when they do, they confront a unique practical problem. As the range of "thinkable" scenarios increases, it is becoming impossible for the organization to be prepared for them all. The Council on Foreign Relations phrased this problem succinctly in its analysis of the post-9/11 US national security situation:

"We could spend our entire GNP on preparedness and still be unprepared." At the Imagination Lab, we believe that leaders require ethics as well as logistics to deal with this problem.

For private-sector leaders who must deal with competitive threats and currency fluctuations in addition to terrorist threats, the need for preparedness can seem infinite, especially in comparison to the budgets available to support it. In view of a wide range of possible risk scenarios, many organizations have taken the initial step of relocating or mirroring their data. Some have secured (or at least more adequately insured) their material assets, and others have begun to address the well-being of their employees as an indirect way to extend their response capacity. Few organizations, however, have yet developed a sustainable culture of "everyday strategic preparedness."

But in all cases, as people in organizations seek to become more prepared, they must make judgment calls about which threats to take most seriously, and which levels of risk are acceptable. And while such judgements are guided by scientific analysis to the greatest extent possible, the uncertainty of the future also requires them to be based on values that are held as a matter of belief rather than fact. In this sense, any attempt to prepare an organization strategically for the

unexpected is inherently ethical. So what model of ethical action is most appropriate for leaders as they respond effectively to the infinite need for preparedness?

The relevance of practical wisdom

Aristotle recognized thousands of years ago that the complexity of the human social world makes it impossible to predict the future with any degree of certainty. He also recognized the need for action that is ethical and effective, and so he defined practical wisdom as the virtuous habit of making decisions and taking actions that serve the common good even in the face of uncertainty. In recent years, scholars from a wide range of disciplines – including psychology, political science, and organizational studies in addition to philosophy, theology and nursing – have begun to consider the significance of Aristotle's concept. Research conducted at the Imagination Lab suggests that practical wisdom can help organizations become more prepared.

Of the existing theoretical models of practical wisdom, we have been particularly drawn to the "balance theory" advanced by Yale psychologist Robert Sternberg. Our interpretation of this model indicates that when individuals act in ways that are practically wise, they are performing three distinct balancing acts. First, they strike a balance between intra-personal (i.e., self), inter-personal (i.e., group) and extra-personal (i.e., organizational) interests. The recent rash of CEO "perp walks" readily illustrates the extent to which the economic value of an organization is at risk when a leader does not strike this balance well. Second, practically wise individuals also strike a balance between different ways of responding to the environment. While in some cases it may be appropriate to respond reactively to emerging threats, in others the environment must be proactively shaped in order to mitigate them; and sometimes the only choice is to retreat and select an entirely new environment for action. Third, these balances of interests and modes of action both require a balance of short-, medium- and long-term time horizons. In choosing what to do and when to do it, the practically wise

individual considers both present and future consequences for the organization, its members, and society as a whole.

So how is the practically wise habit of striking these three balances developed? On this point, practical wisdom researchers consistently emphasize the importance of tacit knowledge that is developed through experience. The question for organizational leaders is then how to create opportunities for experiential learning that cultivates practical wisdom.

Developing practically wise habits

Because practical wisdom involves habituated patterns of action, it cannot be taught through traditional classroom instruction – indeed, it is not a body of expert knowledge that can be formalized and transmitted as information. Instead, it must be developed through lived experience, and through reflections on that experience. Since the costs of actually experiencing a significant threat can be overwhelming, organizations need ways to develop practical wisdom by stretching the limits of the thinkable and by simulating confrontations with the limits of possible action.

The classic method of expressing such imaginative possibilities is storytelling. Optimally, stories can help us to learn from other people's experiences without having to suffer through them ourselves. Aristotle recognized this particular function of narrative and emphasized the importance of tragic theatre for the moral development of the citizens of a democracy. Of course, the capacity to tell a good story is widely recognized today as a skill that can help organizational leaders to communicate and motivate action. But when people at any level of the organization gather to share stories about how they have dealt with unexpected change in the past, they participate in a learning process that helps organizations become more strategically prepared for challenges that arise unexpectedly.

The positive effects of storytelling for organizations are enhanced when diverse groups of people gather to talk over the stories, reflecting in dialogue on what their meanings might be. Such dialogue can function as way of allowing highly ambiguous ethical questions to be explored, and it can provide a forum within which a variety of interests may be balanced in view of different time horizons. When conducted in the right spirit, reflective dialogue is not a battle between tightly-held and unwavering opinions, but rather an adaptive process of responding to existing challenges, framing other challenges in a new light, and collaborating to select new challenges to be addressed. By engaging in dialogue, people in organizations can further develop the practical wisdom required to respond to challenges which cannot currently be foreseen.

While storytelling and dialogue are valuable, they can be augmented with the multi-modal richness of lived experience. In addition to cognition and behavior, our experience of the world integrates uniquely social, emotional and perceptual dimensions, and all of these dimensions are relevant to practical wisdom. Consequently, activities that involve a wider range of human physiological or aesthetic experience should be considered as opportunities to develop practical wisdom. The importance of "embodied" experiences for the development of practical wisdom has long been acknowledged – Plato, for example, famously chose music and gymnastics as the activities most appropriate for training leaders. More broadly, the relevance of embodied experience can be found in such diverse phenomena as the Rhodes "scholar-athlete" ideal, the Steiner and Montessori pedagogical methods, and the widespread experiential learning activities (such as white-water rafting and ropes courses) that take place during off-site management retreats. We have developed the concept of 'serious play' to describe how various dimensions of experience can be brought optimally to bear on organizational challenges. Our research suggests that whenever 'playful' activities are used to prepare for risk, they can contribute significantly to the development of practical wisdom.

Conclusion

As strategy-makers and organizational leaders think the unthinkable, they see the need for preparedness stretching beyond the limits of what is possible for the organization to do. In such situations, they need to develop practical wisdom in order to take actions that are both effective and ethical. Leaders who develop practical wisdom through activities such as storytelling, dialogue and experiential learning can become more prepared to face uncertainty.

The ideas in Next Practice represent the collective interests of the Imagination Lab Foundation research team. Contact Matt Statler (matt@imagilab.org) if you are interested in the topic of this issue.



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The Imagination Lab Foundation is a non-profit research institute that seeks to produce actionable knowledge about imaginative, reflective, and responsible practices of organizing and strategy, and to distribute this knowledge to people both in organizations and academia.

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