



Strategy as Practical Wisdom

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Abstract

This essay raises a pragmatic question: what strategy practices exemplify practical wisdom in organizations? Working within the emerging tradition of phronetic social science (cf. Flyvbjerg, 2001), we begin by describing strategy practices in a large firm that we have observed and engaged with as action researchers. We then refer to the ‘balance theory of wisdom’ (Sternberg, 1999) and deliberate about the extent to which certain strategy practices exemplify practical wisdom. In the course of these deliberations, we extend the balance theory by adding two further considerations about how practical wisdom emerges in organizational contexts, namely the mode of intentionality and the medium of communication (following Roos *et al.*, 2004). Finally, as a contribution to the field of research that views strategy as a practice (cf. Johnson, Melin & Whittington, 2003), we draw a series of normative conclusions about the practical wisdom of specific strategic practices in the organization we studied.

Keywords: *strategy, practice, practical wisdom.*

Introduction

The pragmatic purpose of this essay is to advance the theory of practical wisdom in the field of strategy research, while seeking to encourage the development of strategy practices that are practically wise. Our guiding question is: what strategy practices exemplify practical wisdom in organizations? With the term 'strategy practices' we refer to the many situated activities that make up strategy and strategizing in organizations (cf. Orlikowski, 2002; Contu and Willmot, 2003; Balogun, Huff & Johnson (2003); Hendry & Seidl (2003); Heracleous (2003); Jarzabkowski (2004); Johnson, Melin & Whittington (2003); Régner (2003); Whittington (2003)). With the term 'practical wisdom' we refer to a virtuous habit of making decisions and taking actions that serve the common good (cf. Aristotle (1962); Gadamer (2002 [1960]); Tsoukas & Cummings (1997); Clegg & Ross-Smith (2003); Sternberg (1998), Baltes & Kunzmann (2004); Wilson & Jarzabkowski (2004)).

Three basic assumptions guide our attempt to address this question. First, on an ontological level, we break from the positivist research tradition in the field of strategic management studies that seeks to analyze and explain causal relationships, and thereby to develop predictive hypotheses about statistically likely future events. Instead, we embrace the growing tradition of 'phronetic social science' (cf. Flyvbjerg, (2001); Eikeland, (2001); Calori, (2002); Roos, (2005)) that seeks to describe and deliberate about human social practices. In this sense, we reject the notion that social science ought to be purely objective, and embrace instead the inherent normativity of knowledge (as argued, e.g., by Foucault, (1980)) in its historically, materially, and culturally contingent present context. Second, at the epistemological level of the 'object' of knowledge, we reject the traditional separation between strategy formulation and implementation. By contrast, we assume that strategy always involves thought *and* action, that people in organizations can be described in terms of thinking strategically *and* acting strategically (Wilson and Jarzabkowski, 2004). This convergence of thought and action pertains not only to the strategy practices themselves, but additionally to our pragmatic attempt to describe and deliberate about them. Third, we assume that in order to describe and deliberate about strategy practices in organizations, an, integrated, systemic perspective is most appropriate (e.g., Bourdieu, 1990). In this sense, while the practices that we describe and deliberate about can be identified at specific (e.g., micro- or macro-) levels of

analysis, we assume that they emerge as such only through complex, nonlinear system dynamics that cut across various levels of scale, and thus require an integrated explanatory framework.

Working from these assumptions, the method that we deploy in this essay is to describe and deliberate about strategy practices in a large firm that we have observed and engaged with as action researchers. We begin by describing macro-level practices, providing an account of the firm's history, culture, and industry setting. Then we describe two strategy retreats involving 68 senior managers within the firm, focusing on specific, individual and micro-level practices. We then refer to the 'balance theory of wisdom' (Sternberg, 1999) and deliberate about the extent to which certain strategy practices exemplify practical wisdom. In the course of these deliberations, we extend the balance theory by adding two further considerations about how practical wisdom emerges in organizational contexts, namely the mode of intentionality and the medium of communication (following Roos *et al.*, 2004). Finally, in hopes of advancing the theory of practical wisdom in the field of strategy research, we draw a series of normative conclusions about the practical wisdom of specific, strategic practices in the organization studied.

Describing Strategic Practices

Research Method and Data Sources

The strategy practices we describe in this essay unfolded over 11 months from July 2001 to June 2002 in a Fortune 500, US-based multinational firm. Our study deals with what senior executives within one support function did to prepare the organization for a major strategic change initiative, focusing on two experimental strategy retreats involving all 62 senior level people within the function worldwide. Engaging with the organization as action researchers (cf. Eden & Huxham, 1996) we developed a shared agenda with the corporate vice president to design and deliver the strategy retreats. During the development phase (July 2001-February 2002) Johan liaised with the corporate vice president and a close associate of his. During this time period we gathered data from formal and informal conversations about how

the vice president and his colleague thought about and approached the change agent challenge.

Both authors facilitated first retreat (in the US) and helped to design the second (in the EU). Matt, together with two additional colleagues, facilitated the second retreat. Before each retreat we interviewed the participants, and during the retreat we made participant observations and informal interviews. We also took extensive notes and videotaped both retreats. After the first retreat, we did follow-up interviews with participants, and after the second retreat, we conducted an email survey. In addition, a key informant provided us with access to internal documents describing and outlining the proposed strategic change initiative throughout the time period.

Background

In the mid 1990's, IT INC. was in an enviable situation of huge growth, profits, and cash flow. Based on its proprietary technology and its aggressive sales efforts, IT INC. had become a successful and profitable company over a relatively short time period, outpacing a number of competitor firms. Since its earliest days, IT INC. had been divided into two distinct camps with corresponding spheres of interests: the "cowboy" sales people and the "commando" techies. It was well known within the firm that the relationship between these two groups was antagonistic. Although the sales function and its culture dominated the entire IT INC. organization, the engineering function was both treasured and feared by all people. It was only on rare occasions that cowboys and commandos mixed. Both of these groups received relatively high salaries, and all IT INC. managers took part in a stock option scheme that by the late 1990's had turned most of them into millionaires, at least on paper. Because everybody's personal interests were heavily vested in the stock price, it became a basis for behavior, decisions, and actions on many levels of the firm.

Yet precisely because of its continued success in the mid 1990's, the company was undergoing a series of significant transformations. From being totally US-centric, IT INC. was developing a significant international presence, with some fifty country operations producing a third of its sales. From a hardware-only product portfolio, IT INC. was gradually adding more software applications and was increasingly offering its clients "solutions." From only indirect

sales via large distributors, IT INC. was gradually trying to make more money by direct sales to large customers, while trying to avoid competition with its own distributors. From organic growth through new employees, IT INC. was beginning to grow through acquisitions.

As the market matured in 2000 growth slowed and competition and market saturation squeezed sales results. Specifically, IT INC.'s leadership identified key problems that needed to be addressed, including: 1) that the fundamentally new market environment required focus on profitability, not just revenue; 2) that no one person was currently responsible for entire customer relationship; 3) that no one was responsible for P&L below the CEO; 4) that too little functional coordination happened within customer operations; 5) that when coordination did happen, it was frustrating, time-consuming, and resulted in slower decisions; 6) that there was low morale in current top performers; and 7) that it was difficult to attract the right talent. Prompted by these real problems and perceived needs, in late 2001 the CEO decided to launch a new IT INC. go-to-market strategy as a way to drive change throughout the organization. The detail of this initiative had been secretly devised by a major global strategy-consulting firm based on data gathered from other technology firms that had dealt with similar issues. One of the major implications of the new strategy was a radically changed role for the country managers, who remained "glorified sales persons" without P&L responsibility or power to influence other functions locally.

To meet these objectives in 2002 leadership developed and initiated a new "go-to-market" strategy to be launched early 2003. At an individual level of scale, the new strategy sought to shift the mental models of their country managers from an extremely self-interested sales orientation to a more general management orientation. At an organizational level of scale, the strategy implied a shift from a functional to a matrix organization. IT INC.'s leadership considered both a classical matrix organization and a revised functional organization with strong country managers combined with some global functional responsibilities in corporate, and concluded that the matrix model would be the better one in order to make the shift. The desired outcome of the strategic shift was a fundamentally new country management role, moving from a sales person to more of a general manager. Given the history and culture of IT INC the proposed changes were dramatic both in scale and scope.

Whereas corporate leadership had devised and set the conditions for the new go-to-market strategy, focusing on the changing role of country managers, they wanted others to implement and support the implementation of the strategy. In particular, the CEO looked for an international person with significant country management experience to champion the new deal. The job to champion the transformation was given to the new EMEA director, who had recently been recruited from a competitor organization. This executive, 'Jacques', had run several country operations in other firms and he seemed to provide the freshness needed to bring about the fundamental changes in culture and everyday practices the new go-to-market strategy called for. Melanie described him as a new "star" in the IT INC. organization.

To support the strategy implementation the CEO selected the corporate HR function, lead by the corporate HR director with the made up name Joe. One of the reasons for selecting the HR function to become change agents was that the ABC leadership needed a group of people that was seen as reasonably neutral of the sales function and the engineering function (cowboys and commandos). The HR function was "neither hated nor loved" by either the cowboy or the techie camps.

Case Data: Preparing HR Managers To Serve as Strategic Change Agents

Joe learned from his colleague 'Melanie' (who was responsible for global training and development) that Johan had invented an innovative management tool using LEGO materials (cf. Roos, Victor & Statler, 2004) and that he had started the Imagination Lab Foundation as a research institution dedicated to the exploration of relationship between strategy process and strategy content. Melanie thought Johan was qualified to help address Joe's problem because he had worked previously with the company on an executive education program, and so he knew some of their senior people as well as their "IT INC. ways of doing things." In July 2001, Joe contacted Johan to see if he could help. This request became the basis for an action research project that unfolded over the following nine months and included two strategy retreats.

When they met to discuss the matter in August 2001, Joe asked Johan to work closely with Melanie to design and stage an "innovative process" that would positively engage a few selected country managers in a collaborative process of re-defining the country manager role

to the one already devised by IT INC.'s leadership. His motivations in this regard were two-fold. First, he wanted to use the innovative process to enable his team to develop innovative ideas about how to move ahead with the new go-to-market strategy. Second, as leader of HR, he was always on the lookout for possibilities to pioneer new tools and techniques within the IT INC. organization, and thereby to increase the stature and importance of the HR function with respect to the other divisions (i.e., the cowboys and the commandos).

Retreat 1: The Corporate HR Team

During the early autumn of 2001, Joe signaled to Melanie and Johan that he planned to launch his initiative in early 2002, which gave them several months to mull over what to do and how to do it. Rather than rushing ahead to tell a few selected country managers how their role would (radically) change Melanie and Johan came to believe that it would be more beneficial to make the entire HR team (i.e., the chosen strategic change agents), more aware of what was going on in and around the corporate HR function. Because this strategic role was so new to the HR group, it seemed important to prepare these people carefully for the new change initiative in general as well as for their own role in particular. Joe approved of the idea to begin developing a more shared view *within the HR team* about what was actually going on inside IT INC. to better understand what must be done by them and others. Melanie, Joe and Johan agreed to conduct an initial two-day, off-site strategy retreat at the end of March 2002 for the entire corporate HR team of 12 people.

At this stage Johan brought his colleague Matt into the project, and we both helped to design and facilitate the retreat. Matt conducted semi-structured interviews with all of the participants about their role at IT INC., about the HR function, its priorities and contributions to IT INC., as well as about their personal view of IT INC.'s overall corporate strategy (see Appendix 1: *Corporate HR Semi-Structured Interview Protocol*). From these interviews we learned that IT INC.'s corporate HR group was composed of strong individuals, each with a clear sense of his or her own responsibilities, as well as a clear sense of how fulfilling those responsibilities could lead to personal gain. The HR managers displayed a sense of pride that so much had been accomplished recently by the HR group – they had hired and fired 8000 people in the previous 18 months. The interviews revealed at the same time that there

seemed to be a relative lack of collective identity among the group members – they did not seem to be aware of the activities and responsibilities of other members of the group, and in fact they had not spent considerable time together for any purpose. And even though they displayed considerable anxiety about the (still-unknown) HR group's role in the anticipated organizational transformation, they did seem to accept that the retreat might provide them with an opportunity, as a group, to develop greater coherence as a team.

In discussions with Melanie and Joe, we agreed to use three-dimensional LEGO materials as a medium for communication during the retreat. We anticipated that the introduction of a new and different medium might help the participants to draw on haptic and kinesthetic sources of human imagination and expression. Additionally, we hoped that the 'serious play' process would help to create the context under which social and emotional dimensions of engagement could take place in addition to pure thinking and rational analysis. As we had observed in other, similar experiments (cf. Roos, Victor & Statler, 2004), we thought the unusual process technique might encourage participants to reveal their personal views and introduce them into the conversation. Melanie and Joe were aware of these activities, and they hoped both to gain insights from the three-dimensional medium, and also to pilot the process and consider it for further use in IT INC.

The retreat work flow was set in consultation with Joe and Melanie as follows. First, we would ask the group to present their individual views about the IT INC. organization as it appeared to them at present, with a particular focus on HR group's role and function, and to develop a shared understanding of these issues. Second, we would ask them to populate the broader organizational "landscape" in which HR group operated as change agents for the new go-to-market strategy, and again to develop a shared view of these issues. Third, we would ask them to articulate a series of 'what-if?' scenarios, and to articulate a few simple principles that would both frame and guide their actions in the face of uncertain change. Throughout the process, the participants would use the wide variety of 3-D construction materials to describe, create and challenge their views of the HR function in the IT INC organization.

On the day of the retreat, as we began with a series of warm-up exercises, Joe immediately engaged in the process and started to use and (seemingly) to enjoy the physical materials. His eagerness appeared to legitimize the otherwise unusual use of toy

construction materials among the group. We then asked each participant to build a model that represented his or her own personal views about the HR group, and to use this model to help tell a story that captured those views to the group. When reporting back, they all illustrated their ideas by referring to the various pieces they had chosen, including their size, shape and color. The variety of metaphors they used to describe the HR function included: (1) an efficient input-output machine; (2) a group of experienced people willing to face line management; (3) change agents; (4) a walled in unit in a hostile environment used to catch casualties; (5) an operational silo; (6) a tireless effort aimed at \$ growth; (7) a powerful and strong bear; (8) a beautiful work horse; (9) something underpinning the company, but that is not sufficiently strong yet; (10) a group of people picking up directions (“messages from high above”) but not interacting enough; (11) a group of people putting out fires; and (12) a unit brought together by mutual interests in personal gains. From the constructions and the discussions about them, it became evident to everyone present that the individual executives held very different views about the HR function and its role in IT INC.

Then we asked them collectively to try to build a detailed representation of the HR function. The group engaged in this task for several hours, building a complex LEGO construction. Once they turned to the process activity of reflecting on the 3-D model in conversation however, they struggled to develop a coherent, shared narrative. One of the reasons for this difficulty, as suggested by several people, was that the HR function and group of people in itself was split geographically between the home country operation and those of the many operations abroad. They did converge on several key elements, but the more they tried to develop a verbal description that captured the complexity of the model, the more these key elements started to sound watered down and politically correct. For example, one formulation offered was: “HR is a group of highly trained professionals, specializing in process, systems, tools and high impact activities to support IT INC.’s strategic business objective.” The group recognized that this verbiage did not adequately capture the subjective and honest opinions about their group and function that they had expressed in their individual constructions just a few hours before. But because total convergence was not an objective for this exercise, we instead asked each one of them to translate the model into a single,

written paragraph about the HR function, which we copied and distributed to everybody else so that they could reflect on the variation among their views.

During the next phase of the facilitated process we asked Joe and his colleagues to look outside the IT INC. organization to the landscape. We asked them questions such as: Who and what is out there that matters to you and your role? And in what way are these things and people connected to you? Specifically, what is the nature of those connections? This exercise resulted in one of the most complex LEGO constructions we had ever seen, spreading out over the surface of an entire conference table and reaching a height of more than two feet. Encircling their HR function they included representations of other parts of the IT INC. organizations and how these were interconnected, including the COO and the CEO, internal projects, as well as company external players like specific competitors, larger customers, acquisition targets, and acquirers.

After encouraging them to walk around the table a few times to observe carefully the intricacies of their model, we gave them a chance to revisit how they earlier had described the HR group. With the perspective gained from also looking outside their immediate world, several of them now emphasized HR's critical role of providing channels of communication between and bridging different parts of the IT INC. organization. One of them publicly summarized much of the underlying sentiments in the group at this stage: "We are at the center of all change within the organization."

After this summary statement, Joe engaged his people in a short debrief. What did they think of the situation in IT INC. overall, and especially in HR? This question led to an intense discussion that ranged across a broad spectrum of topics, including the growth of the economy, the fear of being acquired by a big competitor, the necessity of acquiring firms offering complementary technology, and the continuously low stock price and its negative effects on their bonus scheme. A number of positive views of HR and its role were expressed, and specific comments included: "We can't be better positioned," "we are prepared to sacrifice sacred cows," and "this is better than I thought." In addition to such self-praise, they also expressed concern about the challenges that were evident in the model they had built, as expressed by comments such as: "we are required to be very focused and strategic," "we must not be married to our structure," "expect more complexity," "there is much

to be done with less,” “I am worried about timing,” and “there will be enormous pressure on people here and throughout the corporation.” They were visibly pleased with what they collectively had achieved so far, and it was late afternoon when Joe said that it was time to share the details of the new go-to-market initiative with his team. They could hardly wait.

Joe gave a one-hour presentation about the new go-to-market strategy. First he listed three dates, which turned out to be absolute deadlines decided by the CEO for making the change initiative happen within the next 12 months. He proceeded to outline the details of the new go-to-market initiative and what it meant for the organization as a whole, and in particular, for the country operations. The way IT INC. products were sold today would radically change, which called for new practices and structures as well as mindsets of the people involved. The country managers would have to become much more of general managers with profit and loss accountability rather than their current revenue only focus. Moreover, sales people would have to be compensated differently which would visibly increase reward differences between the successful and the not so successful ones. Joe went on to share with the group how he and the CEO had managed to recruit (from a competitor) a very senior and international executive with experience of such go to market strategy (Jacques), and how the IT INC. leadership was in the process of setting this individual up as a “project champion” and “role model.” He also outlined the overall task that they had been given as a group, namely to be the corporate-wide change agents for this initiative. He proclaimed that “for any other organization, this change process would take two to three years. At IT INC., we’re going to do it within the next year. We’re going live in January 2003 dammit.” During his entire presentation, Joe kept referring to different facets of the model on the table next to him. After a short Q&A session involving the team – it was early evening by then – we called it a day.

Joe began the second day by reviewing the large construction on the table in front of them. Everybody was standing up and moved around the table as he elaborated and prompted them for reactions. At one stage one of his colleagues questioned a particular description made by Joe, who swept his hand over the model and said “We cannot deny it – it is on the table and we built it!” That became a pivotal moment for the entire group and we

noticed that all of them nodded in silent agreement. Joe noted that he thought the speed at which the group just started the second day, and the apparent lack of misunderstanding was new in his experience.

After looking first inside at their own function within the IT INC. organization they had looked outside and tried to capture the essence of the business landscape they operated in as HR now and tomorrow as HR serving as change agents for the new strategy. The third phase of our experiential exercise was designed to encourage the HR managers to identify and articulate a few simple guiding principles (cf. Oliver and Roos, 2003) that would guide their actions and decisions as they pushed ahead. To this end we asked people to think about likely and unlikely events that would one way or another impact IT INC. in view of their three-dimensional construction. Beyond general concerns about a worsening state of the economy, scenarios included: the CEO leaves, a hostile takeover, a need to lay off many people, an Enron like fraud is discovered, sudden need to hire new people, and competitor launches better technology. We systematically explored each of these scenarios, asking the participants what the right thing to do was right now in anticipation of that scenario. The participants literally played through different strategic options using the three-dimensional medium, and as they settled on a particular course of action, we asked why that was the right thing to do. From their responses to this reflective line of questions, the following four simple guiding principles emerged:

1) "Fix it now": This principle captured the group's sense of pride regarding successes of the past, and dedication to waste no time in moving forward with the strategic change. Joe referred to this principle repeatedly in a subsequent conversation about strategic priorities for the future.

2) "Identify and protect the core": This principle reflected the anxiety of the group in the face of the potentially dramatic organizational transformations that came with the new go-to-market strategy. A part of what they considered core and needed urgent protection was the detached international HR group, i.e., the people that was to support the country managers in their transition.

3) “Know the total better”: This principle reflected the HR group’s position as an intermediate between the sales and engineering factions within the IT INC. organization. HR people became aware of this role during the retreat, and the principle emphasized their need to develop an increasingly broad knowledge of the total IT INC. business in order to mediate effectively between the two, antagonistic cultures.

4) “Communicate and drive the value”: This principle reflected the HR group’s unique opportunity to contribute significantly to the success of IT INC.’s new strategy. Because the HR group had for the first time been included in the IT INC. corporate strategy process, they found themselves in a position effectively to communicate the meaning of the transition to the entire organization. To the extent that certain individuals in the sales and engineering functions might resist aspects of the new strategy, effective communication from the HR group could help considerably.

From that point of the retreat forward, Joe took over the facilitation and referred to these principles as he devised action plans for what each individual should do next.

Retreat 2: Involving the International HR Managers

The leader of the international HR managers, ‘Bill’, was very engaged throughout the first retreat. He was particularly excited that several people had represented the international group as detached and distant from the corporate HR group, reflecting the situation for the entire international operations of IT INC. The model made this sense of separation blatantly evident, and it caused much discussion throughout the retreat. By the end of the second day he announced that after some initial hesitation he was “a bloody convert” and wanted to repeat the workshop for all of the HR directors in each of IT INC.’s fifty country operations in hopes that they too would be able to gain a clearer understanding of their new, strategic role in IT INC.

Bill’s diagnosis of the problem confronting IT INC. was similar to Joe’s, except that he believed the problem in international was more acute. The lack of coherent identity among Joe’s team was exacerbated among the international directors by the distance that separated them from each other as well as from HQs. Moreover, within each individual country

operation, the role of HR tended to be even more traditional, consisting of “pushing papers”, and only providing strategic inputs in a few isolated cases. Bill nevertheless felt that the experimental approach could solve this problem and provide “a great way to prepare his team” to rise to the challenges presented by the new go-to-market strategy.

Over a period of several months, we worked with Bill (and two other Imagination Lab colleagues) to design and deliver a learning experience on the first day of a two-day retreat held at a conference center located in the foothills of the Alps. We conducted telephone pre-interviews with each of the 56 participants to gain an understanding of how the participants understood their role in the IT INC. business (see Appendix 1: *International HR Semi-Structured Interview Protocol*). These interviews revealed several similarities between the corporate and the international staff. First, all the HR managers appeared well aware of the importance placed on personal gain among IT INC. employees, and of the anxiety produced by the economic downturn, the collapse of the stock price, and the threat of downsizing. Second, the international HR managers also seemed familiar with the tension within the organization between the sales (cowboy) and engineering (commando) cultures, though because the international staff dealt more directly with the cowboys in the country operations, the commandos appeared more the stuff of legend than actual, direct experience. Third, the international HR managers were also oriented primarily toward the execution of tasks, and in this regard, they seemed even less aware of the activities of their peers than the corporate staff. The primary difference between the international and corporate HR staff seemed related to this point however – because the international staff were mostly executing corporate directives within the specific country operations (and, in several cases, rising up to a level of regional purview), they seemed unified by their sense of distance from corporate headquarters. More poignantly, they seemed to harbor resentment about the extent to which corporate HQ’s seemed at best slow to respond to their needs, at worst ignorant or scornful of local, country-specific issues. In fact, many of the international HR managers seemed to be looking forward to the retreat primarily as a way to let the IT INC. corporate HR leadership hear their voices for the first time. From their perspective, the opportunity to be included in the strategy process seemed like a opportunity to shape how the IT INC. ‘way of doing things’

would be adapted to fit local, country specific needs, and thereby, improve effectiveness and efficiency of country operations.

It was therefore somewhat inauspicious when the retreat began with an hour-long presentation from Jacques to the group in which he outlined the new go-to-market strategy with a series of boilerplate slides and the propagandist claim that “It starts now!” With that input, and following a short, terse Q&A session, the 56 participants then broke into three groups that had been pre-arranged in consultation with Bill and Melanie. These groups were composed to ensure that each one contained at least one representative of corporate HR, at least one strong leader from among the international directors, and otherwise a cross-pollination of different country representatives.

Each of the three groups then followed the same process in parallel. As with the previous retreat, we facilitated a series of warm-up exercises to familiarize the participants with the use of LEGO materials as a medium of communication. Then each of the participants built a model of their individual views on IT INC. today, which they presented and discussed within the groups. Then everybody built a model of their individual views on IT INC. of the future (in view of the new go-to-market strategy), which again they presented and discussed. Then participants collaborated within the groups to construct three different models of their shared views on IT INC., including ‘real’ and ‘aspirational’ elements. Key points from these discussions were transcribed to a white board, and then one by one the three groups presented their shared constructions to the other groups.

The participants seemed generally excited and willing to play throughout these exercises. Although they struggled (as had the corporate HR executives in the previous retreat) to build a model of the IT INC. organization, the process seemed to help them generate a number of insights, especially as the different groups presented their models to each other. We observed a great deal of shared, positive affect, including smiles, laughter and physical contact between individuals. Many participants also seemed to benefit from the recognition that other HR managers in different parts of the world shared the problems that confronted them, though these realizations were frequently marked with ironic smiles and the shaking of heads. Throughout the day, participants stayed quite focused on the task at hand, even

giving signs of a competitive desire to represent their situation more completely and accurately than the other tables working in parallel.

But then as the participants tried to make sense of what they had constructed together in a plenary discussion, Bill did not follow through (as Joe had done) by initiating a process of translating what had been learned into action. Even though we had repeatedly and explicitly emphasized that he, as the leader of IT INC.'s international HR organization, was responsible for this transition from the play-based activity back to the 'real world', when the moment arose, he appeared to assume that the process facilitators were responsible to make the link explicit. Lacking a clear structure for how to proceed, soon the discussion degenerated into a series of more-or-less well-articulated complaints about what was wrong in IT INC. And thus even though the day had been explicitly recognized by many participants as a unique opportunity for HR to 'participate' in the strategy process at IT INC., the opportunity seemed to be closing just as it was opening.

We conducted an email survey of the participants a few weeks after the event (see Appendix 1: *International HR Email Survey*) and feedback was mixed. One participant found the exercise "fun, lively and good way to get to know people better", but wondered "what the original objective was and were we achieving it." Another one wrote that "It is a creative tool to open up the thinking process...[but] I do not see the strong link of the games we played with the group discussions that followed." Melanie stated in a phone interview that "people were more involved and excited than I have ever seen" and "the process enabled us to talk about really complex things in a meaningful way." And yet, she also acknowledged that "the transition between [the facilitated discussions using LEGO materials materials] and the discussions that followed was brutal" and "the usefulness of the models was confined because we didn't go back to them in the last part of the day."

And so although some participants did express interest in exploring how the experimental process might help them to carry the new go-to-market strategy forward within their local country operations, nothing ever materialized and our contact with Bill faded over the following weeks and months.¹

¹ Our contact with Melanie continued however, and she has continued to serve as a key informant, providing us with additional data on the go-to-market strategy rollout.

Deliberating about Strategic Practices: The Balance Theory of Practical Wisdom

Recall our guiding question: what strategic practices exemplify practical wisdom? We now deliberate about specific practices at IT INC. in reference to a particular theoretical model of practical wisdom.

Using The Balance Theory

Generally speaking, the term 'practical wisdom' does not refer to a certain item or quantity of information, nor to a functioning capacity that exists independently of the function it performs. Instead, practical wisdom refers to a habituated pattern of actions that are normatively positive both in terms of their process and in terms of their outcome. 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 practical wisdom should, in turn, be understood as an interpretative process through which specific norms are created, perpetuated and critiqued.

Of the various philosophical and psychological conceptualizations of practical wisdom², we choose to base our deliberations about the IT INC. case on Robert Sternberg's 'balance theory of wisdom' for two reasons. First, given the much-debated, and apparently irresolvable tension between efficiency and social responsibility (cf. Margolis and Walsh, 2001), we find that the explicit emphasis on balance is most appropriate. In other words, we do not believe that the practically wise manager should be expected to clarify, once and for all, the moral value of neoclassical economics, or conversely, to make money by performing morally praiseworthy acts such as feeding hungry children. Following the Aristotelian

² Given the fact that the status of practical wisdom (*phronesis*) with respect to theoretical knowledge (*episteme*) has been one of the most debated topics in the history of Western philosophy, it is hardly possible to present a comprehensive summary in this context. For our purposes, given an interest in developing the theory of practical wisdom in the context of strategic management studies, the most relevant philosophical sources have been Aristotle (1962); MacIntyre (1984); Ricoeur (1986); Gadamer (2002 [1960]); and Nussbaum (2001). This philosophical tradition has, in more recent times, been plundered by psychologists seeking alternative conceptualizations of knowledge. From our perspective, the most relevant and insightful summary of these debates can be found in the recent special issue of *Human Development*, (2004, (47)).

tradition, the balance theory seems most appropriate for deliberation about managers who exist in a world fraught by contradictions and ambiguities, who answer to demands to be *both* ethical *and* effective. 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 strategic management studies.³

<<insert Fig. 1: The Balance Theory of Wisdom about here>>⁴

The balance theory addresses the habituated aspects of practical wisdom in terms of 'tacit knowledge'.⁵ Furthermore, the balance theory indicates that every expression of our tacit knowledge is mediated through our values,⁶ and thereby it captures the 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 furthermore 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. Our deliberations will focus directly on these balances because they are action-oriented, providing a theoretical frame for the empirical phenomenon of practice.

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

"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

3 Gadamer's conception of practical wisdom, for example, would require 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, we acknowledge that the task of 'theory development' presupposes an epistemology of empirical testing, predictive capacity, 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'.

4 From Sternberg (1998: 354).

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

6 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.

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" (2001: 231).

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 the case of IT INC. by paying attention to the differentiation of self, group (i.e., the corporate HR team, the HR function, the group of HR international managers) and organization. These 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.⁷ However, for our deliberations, we will simply pay attention to the ways in which these different interests were invoked in the discourse of the HR managers themselves.

The second balance involves three distinct forms of response to the external environment: adaptation, selection, and shaping. 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" (2001: 231)

⁷ 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.

Generally speaking, 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.⁸ Within the specific context of the case description, we suggest that these different forms of response to the environment are evidenced in the various practices through which IT INC. managers sought to change their organization, both at the 'macro'-level of the firm's new go-to-market strategy, and at the (relatively speaking) 'micro'-levels of the HR function, the corporate and international HR teams, and even the various 3-D constructions that they created and used to represent themselves to each other.

We do not present this theoretical model as a way to assess and predict causal relationships between specific actions and their consequences. Instead, we refer to the model as a way to describe potential nonlinear interactions between and among a multiplicity of factors at the level of strategic practices in organizations. In this sense, the model extends our capacity to deliberate about the practical wisdom exemplified by certain strategic practices in IT INC. So then, what do we find if we deliberate about the case data in reference to the balances outlined in this theory of practical wisdom?

With respect to the balance of interests, the IT INC. HR managers expressed a strong, intrapersonal interest in personal financial gain (including e.g., bonuses, stock options, and compensation agreements). Not only did they cite evidence of such an interest among the sales and engineering staff whom they were responsible for hiring and firing, but additionally they expressed considerable concern for their own future (earning potential) within the firm. Moreover, the HR managers appeared to view an intense, even exclusive focus on the specific area of their own responsibilities as the best way to protect their own intrapersonal interests. In this sense, among the HR managers we met, the balance of interests seemed to be tilted heavily toward the intrapersonal.

⁸We 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, cf. von Krogh & Roos (1995) and Oliver & Roos (2000).

At the same time, Joe was being encouraged to take a more personal interest in the decisions made by top management, and his practice of participating in those high-level conversations opened a window of opportunity for the HR team to function as a neutral party capable of mediating between the antagonistic sales and engineering divisions. In this respect, the fact that Joe invited the entire HR team to take part in the strategy process represents a significant shift toward interpersonal interests, as those individuals were for the first time invited to consider their collective responsibilities and interests as a function, rather than simply their own responsibilities and interests as leaders of subsections of the HR function.

This shift toward interpersonal interests continued when Bill invited all 56 of the international HR managers similarly to serve as change agents for the new go-to-market strategy – and it was equally clear to us that many of those individuals were not accustomed to considering anything but their own individual responsibilities. Indeed, as the international HR team was encouraged, through the practice of the strategy retreat, to consider not just their own responsibilities, and not just their own country operations, but also the entire IT INC. company, we can say that they began to balance extra-personal interests as well. And certainly, to the extent that the go-to-market strategy involved increased partnering with other organizations, IT INC. employees were being called on to consider interests beyond the boundaries of the firm itself. Of course, as conversation among the international HR managers ended up digressing into a litany of complaints about how much of a struggle it was to fulfil individual responsibilities within the country operations given the interpersonal shortcomings of the corporate HR functions, this new emphasis on extra-personal interests did not seem to take immediate hold.

Thus we suggest that because Joe and Bill decided to include new people in the strategy process, and because this inclusion consisted of an opportunity for those individuals to focus on the overall IT INC. business, the balance of interests shifted during the retreats toward inter- and extra-personal interests. It seems, however, that this shift was motivated by a collectively-held, intra-personal interest in ensuring that the stock price returned to the levels of value that would enable each of them to retire and leave IT INC. sooner rather than later.

With respect to the balance of responses to environment, the overall economic downturn (and the corresponding decline in sales, etc.) was forcing IT INC. to orient more adaptively toward the market. In this sense, the new go-to-market strategy itself represented an adaptive practice that involved increased partnering with other organizations, increased focus on customer needs (e.g., selling 'solutions' rather than products), and more consultative sales techniques. IT INC. employees were no longer able to shape their environment by dictating the terms of sale, so they began during this time period to place increased emphasis on shaping the corporate structure. The rampant growth of the early 1990's had led, especially in the international operations, to a relatively ad-hoc structure in which the top-selling manager was placed in charge. By contrast, the new go-to-market strategy was focused more on shaping the structure of the country operations themselves, including the structures through which country operations interact with the corporate functions. In this regard, IT INC. top management selected HR as a new group, within the organization, that could contribute to the shaping of these internal structures. In turn, Joe embraced the innovative strategy process because he acknowledged a need to shape his own team and develop their capacity to think strategically. In both retreats, participants seemed to realize that a more adaptive orientation to the environment was called for. At the same time, the simple guiding principles formulated by the corporate HR team represent a range of responses to the environment. For example, "fix it now" indicates a desire to shape existing problems; "identify and protect the core" indicates a desire to select key elements of organizational environment and adapting HR tactics to protect them; "know the total better" indicates a desire to select new domains for HR expertise; and finally, "communicate and drive value" indicates a desire to shape the emerging organizational structure to bring it in line with the new go-to-market strategy.

Overall, the balance of responses to the environment appeared to shift, at the level of strategic practices, away from shaping and toward adapting. This shift was undertaken begrudgingly however, and IT INC. employees appeared to embrace the strategy retreats with the implicit, selective motto: 'if we can't shape the market anymore, then we'll just have to shape ourselves'!

Wise Practices?

So then, to what extent do IT INC.'s strategic practices appear to exemplify practical wisdom? In our judgment, the shift of balance away from intra-personal interests and toward inter- and extra-personal interests was practically wise. At the same time, its practicality (i.e., effectiveness) as well as its wisdom (i.e., normative benefit to the common good) were compromised by the way in which the go-to-market strategy was being communicated and implemented. It was a top-down effort, designed by consultants who did not work for the organization, and presented to the HR employees just like all other strategic efforts: as something that they had to comply with and support if they wanted to continue working for the firm. The facts that they were involved sooner rather than later, referred to using the metaphor of 'change agent', and invited to participate in an innovative process seem like sugar coating for a bitter pill – practical perhaps, but not necessarily wise.

The same basic point holds for the shift of balance to more adaptive practices. Of course, IT INC. would likely not have made this shift were it not driven by the need to keep up the stock price in a declining, and volatile market – but then, the balances associated with practical wisdom always involve an accommodation to emerging circumstances. The practical wisdom of the shift was however compromised by the extent to which the strategy practices were not themselves adaptive. Instead, IT INC. top management shifted its habit of 'shaping the marketplace' and refocused it on the organization itself. And even though Joe and Bill recognized the way in which an innovative process might enable the participating managers to engage with each other in new, adaptive ways, the playfulness of the process did not translate well into the everyday business reality. This problem was especially manifest in the second retreat, where Bill's own difficulty bridging from the playful process back to the go-to-market strategy content made the rich, meaningful discussions seem like a foolish waste of time.

Emphasizing the Temporal Dimension of the Balances

In view of these considerations, we suggest that other elements of the case need to be considered that are not explicitly addressed by the balance theory. Indeed, the balance

theory's cognitivist underpinnings make it difficult to account for, much less to integrate, the perceptual, aesthetic and affective dimensions of human experience.⁹ And second, the dynamic movements inherent in the metaphor of 'balance' are not adequately represented – in other words, the processual (i.e., historical, temporal) aspects of practical wisdom are not acknowledged explicitly by the model.¹⁰

With regard to the theory of practical wisdom, we suggest that the individual-level balances 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. In this sense, rather than portraying the balances as a goal-oriented linear movement (i.e., 'from tacit knowledge, mediated through values, and toward the common good), it seems appropriate to use a dynamic model 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 (1984). In this sense, we suggest that Sternberg's balance theory of wisdom can be extended if the balances are presented in such a way as to emphasize their interdependency, or co-constitutive relation.

Sternberg does state that practical wisdom involves reflection on, and action involving different time horizons (cite). But whereas Sternberg claims that the balance of interests is struck in view of short- and long-term future, we suggest that the model of practical wisdom can become more dynamic if the consideration of short-, medium- and long-term time horizons is theorized as a distinct balance unto itself. The immediate, pragmatic purpose of introducing this additional balance into our deliberations is to emphasize the extent to which the 'wisdom' of particular practices appears quite dependent on the temporal circumstances

9 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.

10 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.

in which they are to be evaluated. For IT INC. managers accustomed to tracking the stock price on a daily basis, the practice of taking two days to play around with LEGO bricks may have seemed foolish rather than wise. Indeed, for many of the HR managers, the medium-term horizon was the quarterly review process (i.e., ‘two down quarters and you’re out’), while the long-term future seemed to consist of two to three years before they could cash out and live on their vested stock options. In this sense, 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).

Undoubtedly, the decision to take extremely busy IT INC. managers out of their work for 2 days was a significant shift in the balance of time horizons. Joe’s hope was that the use of an alternative process would not only shift this time horizon for the two days of the retreat, but additionally provide a memorable experience that would help participants to recall, over the coming weeks and months, that they should take into consideration the longer-term, strategic direction of the organization as a whole. This shift was still present in the second retreat, though it was obscured by the fact that the one-day innovative process session began with the presentation in which Jacques framed the rollout of the new strategy in the present tense (i.e., “It starts now!”) Our point with these deliberations is to emphasize the extent to which striking balances of interests and responses to environments also involves striking a balance of time horizons. Given the balance on short-term results (i.e., daily actions and quarterly sales targets) that pervaded the IT INC. organization, the decision to do retreats at all in the first place now appears foolish – or at least, in order to capitalize on the potential wisdom of a retreat, IT INC. HR managers would need to set a frame for discussion and reflection without the daily pressure for instant results. In this light, the only ‘practically wise’ balance of time horizons took place on the first day of the first retreat, in which Joe (prior to his mid-afternoon presentation) allowed his participants to build how they really felt about the organization, without explicit reference to deadlines.

A Dynamic Theory of Practical Wisdom

We suggest furthermore that these three balances are, in practice, mediated by other dynamic variables both at the level of the individual and within the environment. In this

regard, we draw on previous research (Roos, Victor & Statler, 2004) and suggest that in order to deliberate about the practical wisdom exemplified by IT INC.'s practices, we must consider how the 'mode' of intentionality as well as the 'medium' of action mediate the balances of interests, responses to the environment and time horizon.

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.¹¹ 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, by contrast, on the deliberate, wilful 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 balances are subject to dynamic change depending on the circumstances both within the individual and within the environment. 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

11 Wilson and Jarzabkowski (2004) have dealt with a similar issue with respect to practical wisdom by analyzing and differentiating distinct concepts of agency. From our perspective, the term 'agency' is somewhat limited by cognitivist assumptions about explicit goal-formulation and the instrumentality of rational decisions and actions – whereas the term 'intentionality' includes these phenomena, while additionally remaining open to other dimensions of human experience, indeed, to the meaningfulness of embodied experience as such. As we turn then to problematize the mode of embodied intentionality we are inspired by Heidegger's (1960) differentiation between authentic and inauthentic 'modes' of intentional awareness. But rather than going 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. 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 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). Beyond this, additional research has characterized strategy as creative action (Maclean, 2003) and as 'serious play' (Jacobs & Statler, 2005)

another category of relevant empirical and experiential data.¹² Indeed, the question of whether individual practices were 'wise' requires deliberation about the nature of the intentionality guiding those practices.

Although Joe, Melanie and Bill very deliberately chose an 'innovative' process, the process itself required them to 'play' and respond in real time to emerging circumstances. Although there were clear statements of objectives for both retreats, nevertheless at a process level the mode of intentionality shifted decisively toward play and emergence. In the first retreat, this playful mode was emphasized by the fact that 'the strategy' was not revealed to the participants until the end of the first day, after they had been given the opportunity to develop individual and collective constructions of their views on the IT INC. organization. In the second retreat however, the day started with the presentation from Jacques to inform the participants about decisions that have already been made. So whereas the mode of intentionality in the first retreat began with an emphasis on emergence, then became more deliberate – in the second retreat, it began with very deliberate, top-down inputs, and then emphasized emergent, playful intentionality. The problem then arose because the outcomes of the emergent part of the process were not effectively re-integrated into the deliberate strategy discussions. In fact, while the views of the participants were expressed (and they were excited about this opportunity), there was no way that these views would influence the strategy itself, and so the potential for innovation that was inherent in the process was limited. In any case, while Joe was able to transition from the emergent process back to the deliberate practice of action planning, Bill by contrast did not follow through in the same way, and so the participants complained about the 'brutal' nature of the transition.

Following Roos, Victor & Statler (2004), we suggest that IT INC.'s attempts to balance interests, time horizons and environments depends significantly on the *medium* through which actions and decisions are expressed. Traditionally, strategy practices involves the following media: PowerPoints, spreadsheets, flip charts, emails, binders, verbal discussions, phone

12 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).

calls, etc.¹³ 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.¹⁴ 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. As above, the question of whether individual practices at IT INC. were ‘wise’ requires deliberation about the medium of the practices themselves (i.e., the LEGO medium, the presentations, the discussions, the emails, etc.).

Overall, our role as action researchers included the introduction of a radically different medium into the IT INC. retreats. All of the 56 executives at both of the retreats used their hands to craft various facets of the IT INC. organization and its business landscape during the ‘serious play’ process. Participants reported that by communicating with this unfamiliar medium, they were able to articulate and share insights that had previously been hidden or unknown. They were also able to create new insights and ideas, as well as to see familiar aspects of the organization in a new light. Participants also reported experiencing higher levels of engagement, as well as more positive affect than in a more traditional business meeting. Finally, Joe’s claim that “we cannot deny it, it’s all on the table” indicates that the group was able to achieve new levels of commitment and shared identity. It seems, therefore, that the introduction of the new medium enabled the shifts of balance 1) toward inter- and extra-personal interests, 2) toward more adaptive responses to the environment, and 3) toward medium- and long-term time horizons.

13 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).

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

On the whole, we believe that these two considerations (mode, medium) 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, mediated by dynamics in the individual and the environment. Based on the foregoing deliberations, we propose a dynamic model of practical wisdom (cf. Fig 2.)

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

From the outset of this essay, we have stated our rejection of the notion that social science ought to be purely objective, and our embrace of the inherent normativity of knowledge. Thus rather than extracting a series of formal propositions (or testable hypothesis) from this dynamic model of practical wisdom, we present it as an interpretative framework that can 1) help researchers as well as practitioners to describe and deliberate about the wisdom of specific strategic practices, and thereby 2) encourage the development of wise strategic practices in specific organizational contexts.

Conclusions

The purpose of this essay has been to advance the theory of practical wisdom in the field of strategy research, while seeking to encourage the development of strategy practices that are practically wise. We fulfill this purpose by offering the following two conclusions.

First, in the interest of encouraging the development of wise strategic practices, we offer a normative conclusion for IT INC. From the point in time when top management handed Joe the task to make the HR function into 'strategic change agents', the IT INC. HR managers tried to be less selfish, to become more adaptive, and to stretch their time horizons. They also experimented with a new mode of intentionality and a new medium of communication. Following our deliberations, these various strategic practices, undertaken by the specific individuals involved, exemplified practical wisdom (defined as the virtuous habit of making decisions and taking actions that serve the common good). However, all of these attempts were compromised by existing strategic practices within the organization that were not

practically wise under the circumstances confronting the organization during the time period of our study. Our normative conclusion is that if these same people wish to develop practical wisdom, they should continue to cultivate strategic practices such as the ones we helped them to experiment with, shifting the balances to include inter- and extra-personal interests, adaptive responses to the environment, and consideration of longer-term time horizons, while exploring emergent modes of intentionality and three-dimensional communication media.

Second, we have advanced the theory of practical wisdom in strategic management and organization studies in several respects. We have introduced the balance theory of practical wisdom and sought to apply it as a framework for interpreting strategic practices. Although there have been calls for further research on practical wisdom (e.g., Wilson and Jarzabkowski, 2004), no one has yet directly considered Sternberg's balance theory, or sought to apply it empirically. Moreover, we have drawn on recent strategic management research (Roos, Victor & Statler, 2004) to extend the balance theory and make it more appropriate for use in organizational contexts. Specifically, we have theorized that the temporal dimension of strategic practices is a balance unto itself, and that the balances of time, interests and responses to the environment are all mediated by the mode of intentionality and the medium of communication.

Appendix 1: Data Gathering Instruments

Corporate HR Semi-Structured Interview Protocol

1. How would you describe the HR group's current strategic priorities in the context of the firm's overall evolution?
2. Who in the group is most involved with setting those priorities?
3. What data or information is used to set those priorities?
4. How has the process of setting strategic priorities changed over the last few years?
5. What does "strategy" mean to you personally?
6. What is the most exciting part of your role?
7. What is the least exciting part of your role? What is most valuable about your role for the firm?
8. What are you working on now that needs to be captured in the HR group's strategic priorities?
9. What does the firm really need from the HR group?

International HR Semi-Structured Interview Protocol

1. What is your current position at IT INC.?
2. How long have you been in this role?
3. What other positions have you held?
4. What are the current strategic priorities of the International HR organization as a whole?
5. What are the current strategic priorities of your organization (country-specific, or function-specific where applicable)?
6. What is the process by which strategic priorities are set for the International HR organization as a whole?
7. What data or information do you use to set your strategic priorities?
8. How would you characterize the relationship between your (local or international) organization and corporate HR ?
9. What support do you receive from HQ's that you value most?

10. What do you receive from HQ's that you value least?
11. How is IT INC.'s business transition currently impacting strategic priorities in the international HR organization?
12. What do you think the most pressing needs are for international HR in light of the new go-to-market strategy?
13. What do you think international HR should do in order to add the greatest value to IT INC. during this transitional phase?
14. What are you currently working on or experiencing that you think could add great value if it were captured in the corporate HR's strategic priorities?

International HR Email Survey

1. What did you like/dislike about the event?
2. What aspects of the event should be improved on future occasions?
3. How could this process be used elsewhere at IT INC.?

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Figure 1: The Balance Theory of Wisdom

<<insert Figure 1 here>>

Figure 2: A Dynamic Theory of Practical Wisdom

<<insert Figure 2 here>>