Practical Wisdom:
A Philosophical and Practical Basis for
Dealing Ethically with Unexpected Change

Working Paper 71
May 2006

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Paper prepared for the SEMA-ECMA Conference
"Future Challenges for Crisis Management in Europe"
Stockholm, May 3 - 5, 2006

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Abstract

This paper deliberates about the preparedness of organizations. If we assume a stable world (with islands of instability), preparedness becomes an outcome of knowledge and prediction. If we assume an instable world (with islands of stability), preparedness becomes an ongoing practice to sustain the organization in the face of unexpected change. If we assume that the level of threat from unexpected change is infinite and that there are limits to how much resource we can use to prepare ourselves to meet such threats, decisions to act (and not to act) are inevitably based on value judgments, which suggest and inherent ethical dimension of preparedness. The Aristotelian concept of practical wisdom helps us frame and understand both how to think about preparedness and the practical wisdom associated with it. These deliberations result in questions about both leadership and strategy practice.

Key words: preparedness, strategy, ethics, leadership, crisis, practical wisdom.

Introduction

Recent (man made) terrorist attacks and natural disasters have accentuated the need for both the private and the public sector to be prepared to quickly adapt in the face of unexpected change. Research has highlighted the vast improvement potential in how leaders make sense of such changes, make decisions to cope with the changes and create meaning for stakeholders involved and impacted (Boin *et al.* 2004). Nearly three years after the attacks, the 9/11 Commission Report identified and reflected over the many errors that occurred prior to that fateful day, which falls into the two categories: thinking and doing. Thomas Kean and his fellow panellists concluded that a 'failure of imagination' kept US officials from understanding the increasing gravity of the al Qaeda threat. Most information was in place but the manifested inability of the government to share information across agencies and across the foreign-domestic divide, and the inability of top leaders set priorities and allocated resources.

In business organizations preparedness is associated with the job of the strategist and, thus, also with leadership. Traditionally, the strategist attempts to predict (by rational analyses) changes in the environment and recommend actions that develop capabilities to allow the organization to continue to thrive under new and different circumstances. This seems to work well under stable circumstances and when risks are known. But, what if change cannot be predicted with certainty? And what if change is so complex that its effects and implications can never be fully understood, much less anticipated? What, if anything, can organizations do to become more strategically prepared for unexpected change, so that they can mitigate and

perhaps even avoid a 'crisis' as such? How can we frame the practical and philosophical problem of preparedness?

The purpose of this paper is to *help framing a dialogue about preparedness and its relationship with strategy practice and leadership in general, and with crises in particular.* To this end, I first discuss the practical and philosophical problem of preparedness in terms of thinking and doing in ways that continue to sustain the organization even in the face of unexpected change. Second, because it balances the need for ethical considerations with practical effectiveness I use the Aristotelian concept of 'practical wisdom' to argue that leaders must be practically wise to be really prepared to deal (ethically) with unexpected change. Thirdly, I deliberate over the implications of this perspective.

The practical problem of preparedness

The practical problem of preparedness confronts us everyday when we are surprised and we do not know what to do. A quote from a post-9/11 Council on Foreign Relations report illustrate the practical problem on the larger organisational and national scale: *'We could spend our entire GNP on preparedness and still be unprepared.'*[1] Whenever leaders 'think the unthinkable',[2] however, the range of 'thinkable' scenarios can quickly become so great that the task of becoming adequately prepared for them all stretches the limits of available resources. In the most extreme case, as illustrated by the quote above, the cost of preparedness 'for the unthinkable' can exceed

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[1] Council on Foreign Relations Independent Task Force. (2003) *Emergency Responders: Drastically Underfunded, Dangerously Unprepared*, www.cfr.org.

the total value of the organization that seek preparedness in the first place. Because there is no limit to what unexpected change we can imagine, in theory, the need for preparedness is infinite and the potential resource need to prepare may be insurmountable in practice.

The philosophical problem of preparedness

The philosophical problem of preparedness changes when we move from a static to a dynamic ontology (Statler and Roos 2005; Statler *et al.* 2006), i.e., when we no longer assume the world is basically stable with islands of instability rather than the other way around. When strategists operate within a static ontology, then the term 'preparedness' becomes an *outcome* that can be controlled for with greater or lesser efficiency and effectiveness. To say that we're prepared is an ontological claim about what the organization is, what the business landscape is, and how the two stand in relation to each other. Within this static ontology, the problem of preparedness is to know and, therefore, also to anticipate all future possible events as well as to develop capabilities to deal with these in a way that is positive for the organisation. This ontology of strategy is captured in the notion that strategy is a plan. It is grounded in the 'scientific management' paradigm of Henry Fayol and Fredrick Taylor and its modern vestige appears in the 'strategic fit' notion developed by Ansoff (1965) and the widely used economics-based, industrial-organization models contributed by Porter (1980).

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[2] This phrase pervades the history of scenario planning, likely beginning with Hermann Kahn's work after WWII with the Rand Corporation and subsequently with the Hudson Institute. Following 9/11, the phrase has been cited by many scholars, for instance, Mitroff and Alpaslan (2003).

Over the last decade, researchers have increasingly distanced themselves from descriptions and prescriptions that came from assuming the world as static. Over the course of several decades strategy has evolved from an administrative design that originates in the mind of a visionary leader who instructs the (mindless) workers (hands) to execute the vision-as-plan-plan; to become a process of competitive analysis undertaken by expert analysts armed with MBA degrees; and finally, to appear as a more adaptive process through which an organizational system makes sense of itself and its environment. But, today strategy scholars describe and understand organizational strategy processes presuming dynamic ontology. These changes in assumptions and perspectives of strategy have yielded ideas like strategy as retroactive patterns (Mintzberg and Waters 1985); a strategy s revolution (Hamel 1996); strategy as creativity (Stacey 1996); and strategy as ecological adaptation (de Geus 1997). Despite the many conceptualizations for how strategy can be more than a detailed action plan, however, the philosophical and practical problem of preparedness is not yet resolved.

In a dynamic ontology preparedness becomes an unfolding process through which the 'external' environment and the 'internal' knowledge about that environment influence one another on an ongoing basis. Preparedness is no longer an outcome that can be definitively produced or controlled for, but a *mode of interaction* between one complex system with another. Preparedness, therefore, means more than developing knowledge and capabilities in response to (every) anticipated change; it means thinking and doing in ways that continue to sustain the organization even in the face of unexpected change.

The ethical problem

If we presume a dynamic organizational ontology what is the basis on which certain actions should be taken and others should not? For example, what is the basis for deciding what or who should be 'saved' first when critical infrastructure no longer function? As the need for preparedness stretches the limits of what is thinkable and possible for organizations (e.g., by 'asymmetric' threat potential), it highlights the importance of value judgments, i.e., ethics. Values about rightness and wrongness, virtue and vice, and even aesthetics ultimately form the basis for decisions to act (or not to act). The problem is generic of course, but crisis situations bring out the problem of what is considered 'acceptable risks' in terms of threat level and resources generation/allocation/utilization. Moreover, during crises more than ever leaders make and are expected to make split-second, 'executive' decisions with potential life-and-death consequences. In face of an asymmetric threat potential preparedness involves not only the effective risk mitigation and management of available resources, it involves judgments that 'enough is enough' even in the face of overwhelming hypothetical need and non-financial objectives (Statler and Roos 2006). *The problem of preparedness, therefore, becomes one of ethics* (of the decisions we make to act or not to act). The implication is that all organizations require a clear ethical stance in order to be prepared for the unexpected. Thus, conceptual and practical frameworks that seek to guide leaders to deal with the problem of preparedness need to *balance ethical demands with demands for practical effectiveness*. The concept of practical wisdom meets this need.

Applying the concept of practical wisdom

More than two millennia ago Greek philosopher Aristotle mused about the capabilities and training of the leaders of that time ('guardians'). To this end he distinguished between scientific knowledge, cunning intelligence and practical wisdom and argued that, unlike others, leaders of the community needed all three. From his *Nicomachean Ethics* (1962 edition)[3] we learn the distinction between the intellectual capacities for scientific knowledge and clever responsiveness from the capacity to make judgments and take actions that promote what he calls the 'good life' (*eudemonia*). Aristotle reserves a special place for philosophical knowledge of the natural world (the *Physics*) and the principles behind it (the *Metaphysics*), which is summarized in the notion of *sophia,* which hastily can be translated into scientific knowledge. At the same time however, he recognized that the social world cannot be known or predicted using the (natural) scientific logics and methods. This is where cunning intelligence or cleverness, *metis*, fulfils an important role.

Aristotle found such cunning intelligence most relevant to deal with unpredictably where abstract principles are less effective, e.g., military strategy, politics and medicine (Detienne and Vernant 1978). The cunning of military generals, politicians and doctors, he argued, comprise of two primary elements: (i) the alertness (*agchinoia*), or quick-wittedness required to understand dynamically changing circumstances, and (ii) the 'good eye' (*eustochia*), or ability to take aim accurately for a specific target. To be cunning we have to be aware of change and be capable to respond to it.

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[3] This summary of practical wisdom draws from Statler et al. (2006), Roos (2006), and Statler and Roos (2005).

Whereas Aristotle's concept of scientific knowledge (*sophia*) directly informs the static ontology of strategy, the concept of cunning (*metis*) seems to correspond to the dynamic ontology discussed above (Statler *et al.* 2006).

Aristotle's analysis reflections in the *Nicomachean Ethics* move beyond *sophia* and *metis* in the domain of human life. Just as he recognizes that scientific knowledge is not suitable for human affairs he also recognizes that the expedient, but as illustrated by the tale of Odysseus cunning does not necessarily promote the 'good life' for the community.[4] Between the tension between rational efficiency and practical expediency, Aristotle identifies prudence, *phronesis*, as that form of knowledge that is capable, in the face of ambiguous or uncertain circumstances, to guide actions that will be *good* for the necessary others. Thomas Aquinas translated *phronesis* into practical wisdom, which is the term I'll use from now on.[5]

Recall that crises forces leaders to make sense, make decisions and create meaning to others about why the organization should attempt the impossible, and/or consider the unthinkable. While such arguments can be made in economic terms, ultimately they must be justified in some value-based notion for why particular way of life (or life itself), or business is worth sustaining. The concept of practical wisdom is useful to help leaders understand the problem in ethical terms, because it deals with unpredictable, dynamic aspects of human social life, while also considering practical

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[4] The famous tale about Odysseus is perhaps one of the best symbols of *metis* in the Greek literature. Odysseus adapts and seizes opportunities on the spot in a way that eventually makes his long journey successful. However, most if not all of his crew perish.

[5] Sociologist MacIntyre (1981: 161-162) distinguished four distinct elements of practical wisdom: (1) It involves first and foremost the goals and desires of the individual who seeks to make a judgment and take action; (2) actions in question are assumed to be valuable for the community of stakeholders; (3) based on available information and perceptions, the specific action in question will provide an instantiation of those ethical value; and (4) because we can't truly know the good without doing the good, practical wisdom necessarily involves the action itself.

expediency (Statler and Roos 2005). Practically wise leaders go beyond self-interest, or achieve advantage through cunning, to make judgments (decisions) and take actions that are *good* for many stakeholders (that sustain their organizations). Practically wise leaders' conduct of change is likely to be fluid rather than brusque Prone to evolutionary rather than revolutionary change. They are prone to deliberate (through dialogue), which makes is possible to hold them accountable and be responsible, and this process sensitizes them to others' feelings and arguments (Durand and Calori 2006).

In terms of strategy, the consequence is that a leader does not merely use scientific knowledge of static (business) laws and principles and design organizational systems accordingly to produce competitive advantages. Neither does (s)he seek competitive advantage purely for its own sake through cunning. Instead, *in the face of uncertainty and ambiguity* (s)he develops a *habit* of making decisions and taking actions that are good for the 'community' of stakeholders at large. As argued by Statler et al. (2006), from this perspective strategy practice become neither a post-hoc rationalization (pattern), nor prediction (plan). Instead, *strategy can be seen as a practice to take action that involves seeking consciously and intentionally to produce the good for the entire organization as well as the community that sustains it.* Consequently, practically wise leaders are prepared to deal with unexpected change.

Dealing wisely with unexpected change

The Aristotelian concept practical wisdom and strategy practice serves in this paper only to frame a dialogue about how to 'manage' in the face of

unexpected change, like breakdown of critical infrastructure. By framing the problem in ethical terms, I propose that this concept from philosophy can help us answer the very practical problem of 'preparedness.'

Man made crises, like 9/11, or natural disasters, like the Asian Tsunami, exemplify how leaders often cope with high impact change in ineffective and inefficient ways.[6] Scholars have studied how leaders dealt with crises for some time, and the literature include plenty of descriptions, explanation as well as prescriptions (e.g., Mitroff 1986; Mitroff and Alpasian 2003). As demonstrated by Boin *et al.* (2004) crises challenge the way (political) leaders make sense, make decisions and create meaning for others (in addition, they argued, leaders have trouble ending a crises and to learn from what happened). By taking more seriously the processes, they argue, leaders can improve the effectiveness and efficiency of their crisis management. I would like to add to their elaboration an even stronger emphasis on ethics.

Focusing on how to avoid or at least reduce the negative impact of crises Weick and Sutcliffe (2001) studied 'high reliability organizations' (HRO), defined as organizations that daily deal with crisis like situations (e.g., fire fighters). They found that the level of 'mindfulness' is higher in HROs compared with normal organizations.[7] Pragmatically, Weick and Sutcliffe outlined five descriptors of HRO that others can mimic to 'manage the

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[6] For example, Boin *et al.* (2004: 2) defined crises to be when policy makers *'experience a serious threat to the basic structures or the fundamental values and norms of a system, which under time pressure and highly uncertain circumstances necessitates making vital decisions.'* Weick and Sutcliffe (2001: 35) For these scholars crises happens when *"…actual events fail to coincide with the intended sequence; and there is an unexpected outcome."*

[7] A tricky concept, according to Weick and Sutcliffe (2001) mindfulness is a combination of ongoing scrutiny of existing expectations, continuous refinement and differentiation of expectations from newer experiences, willingness and capability to invent new expectations from unprecedented events, nuanced appreciation of context and ways to deal with it, identification of new dimensions of context that improve foresight and current functioning.

unexpected': Preoccupation with failure, reluctance to simplify, sensitivity to operations, commitment to resilience, and reference to expertise. This way *"managing the unexpected is about alertness, sensemaking, updating and staying in motion"* (*ibid.*: 35). Mindfulness is clearly an important idea that helps us develop and maintain routines for operations and quick, on the spot adjustments. However, mindfulness promotes our awareness in general and in crises, but not necessarily our wisdom. I would like to incorporate into this cognitive-biased notion the ethical dimension of practical wisdom.

The exceptional self-knowledge, understanding of others, broad outlook, interpersonal skills, practical experience (of a good life in a good community), sagacity, judgment and reasoning ability often associated with 'wisdom' is more than a cognitive capacity. The good judgment implied in my favourite simple guiding principle 'when in doubt, do the right thing,' implies a fundamental ethical and people-oriented dimension of wisdom, which according to Aristotle is embodied in character and manifested through habits. If this is how we deal positively with unexpected change, the next question is evident: *How can leaders potentially facing crises become more practically wise as a way of being – even without being challenged by crisis?* To fully comprehend, appreciate and apply the notion of practical wisdom we have to seek more inspiration from philosophy, anthropology, sociology, education and psychology and perhaps also apply so called *phronetic* research methods (Flyvbjerg 2001). The concept of practical wisdom has been debated in depth in many adjacent fields, but has until recently received less attention management and organization studies.[8] The growing literature reflecting over

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[8] For example, special attention has been paid to practical wisdom as a form of human intelligence related to, yet distinct from rational understanding (e.g., Sternberg, 1998). Management and

and applying practical wisdom in the field of management also come with suggestions for how to educate people to become more practically wise. For instance, based on a decade of theoretical and empirical research Roos (2006) outlines an approach for how to encourage leaders/strategists to imaginative describe and reflect over their business worlds as co-constructed, physical representations and use these to mediate spontaneous, profound communications. Because it is multi-sensuous rather than just intellectual reasoning and since it encourages affect and authenticity, this practice of thinking 'from within' enables practical wisdom 'for everyday readiness' far more effectively and efficiently than conventional (strategy) meetings. In the field of business education, for example, Hartman (2006) deliberated over to what extent is possible to teach character in business schools and which touch the question of balances of interests (Sternberg 1998) and courage implied in practical wisdom. Additional 'reflection' in classes is one of his answers.

Conclusions

The deliberations about preparedness in this paper suggest a few conclusions and associated implications, which are meant to open up rather than close subsequent dialogue.

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organizational scholars have explored the relevance of practical wisdom to strategizing under conditions of uncertainty (Wilson & Jarzabkowski, 2004), to ethical action in the face of unexpected change (Tsoukas & Cummings, 1997), and to the forms of management education that appear to contribute to the development of such capacities (Clegg & Ross-Smith, 2003). Durand and Calori (2006) used practical wisdom to challenge and rethink the organizational change literature, and Hartman (2006) focused on related concepts of Aristotle, namely courage and character. Roos (2006), Statler and Roos (2006) and Statler et al. (2006) apply practical wisdom to the field of strategy.

1. What 'preparedness' means and implies depends on the organizational ontology we assume. The implication is to ensure in organizations, or at least among the leadership, a coherent ontology. If not, preparedness will mean different things to different leaders.

2. Because there is no limit to what unexpected change we can imagine, in theory, the need for preparedness is infinite and the potential resource need to prepare may be insurmountable in practice. The implication is that leaders need to avoid what the 9/11 Commission labelled 'a failure of imagination' and find ways to stretch their thinking from conventional, deductive and unimaginative thinking to more imaginative ways to identity, reflect over and frame potential threats (and opportunities). Without conscious efforts to go beyond conventional thinking the organization risk being less prepared.

3. Because of the constraints in thinking and doing in (2) above, decisions to act (or not to act) will be based on a certain level of risks deemed acceptable. Although this is part of daily life crises situation accentuate the intrinsic, ethical challenge involved. The implication is that leaders must develop a coherent view about important ethical balances that must be stricken on the spur of the moment during crises. Without such coherent view the organization cannot expect coherent action.

4. The Aristotelian concept of practical wisdom has the potential to help frame the practical and philosophical problem of preparedness. The implication is that leaders need to reflect over how to cultivate their own and other's practical wisdom. They should also realize that moral reasoning must be an integral aspect of organized life before, during and

after unexpected change. Without practical wisdom, the organization will not be fully prepared to 'do the right thing' in small and large crises situations.

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