

MAKING SENSE OF WISDOM MANAGEMENT

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Abstract. *An effective manager has to be wise. The paper analyses different approaches to wisdom and makes proposals about how to apply them for making sense of wisdom management. The focus of the paper, however, is on the relationship between wise management and wise leadership. At the basis of a definite understanding of knowledge management, we give the main reasons why wisdom is crucial for effective leadership, especially in self-organizing organizations. Practice is crucial but the basic human faculties of morality and creativity have to be accounted for as well.*

Keywords: knowledge-management, leadership, practice, self-organization, wisdom, wisdom economy, wisdom management

1 INTRODUCTION

Some years ago, economists and management people learned about the term ‘wisdom economy’. The rhetoric of the founders of the approach was ambitious. Their invention should have had dethroned knowledge economy by this day. After the initial excitement, however, nothing special followed. Hardly anyone except for the initial contributors noticed the new development. Wisdom economy has earned its place as a philosophy, as a style of economic thought but nothing beyond that. The focus is still on knowledge – knowledge economy, knowledge transfer, etc.

This is all true as far as the general discipline of economy is concerned. It is interesting, however, that the situation is at least somewhat different concerning management. The concept of wisdom management seems to be gaining momentum. So far, we can only hypothesize about the reasons of this difference. It may be that the term ‘wisdom’ connects better to human beings than to a broad abstract field. Management, in contrast to economy, is an activity that is driven by human actors directly. After all, management does not even need to be connected to economy or business. It may occur and actually has to occur in all walks of human life, either in closer or more remote sense. We shall take a deeper look into the essence of the concept of wisdom management, but first, let us specify, what we shall mean by wisdom. Obviously, the abstractly philosophical understanding of the term in the style of Heraclitus or Heidegger would not work for us. Aristotle’s *phronesis* does the job of explanation a little better in our context but bears the stamp of its time, very different from ours’, still very significantly. The same applies to the Oriental wisdom, be it Confucian, Daoist, Buddhist or something else. These philosophical approaches help to take a broad generalist view on worldly issues. However, there is no direct help concerning practical matters. This is exactly what we are looking for, i.e. an understanding of wisdom that is truly instrumental. Still, Oriental wisdom may help us to make sense of the behavior of self-organizing systems, including companies that have been built up in the way that they are open to self-organization to occur. Still, this will be a topic for further research.

2 WHAT IS WISDOM?

Fortunately, there are contemporary approaches to wisdom available that aim at the practical purposes. For instance, the British philosopher Nicholas Maxwell has been dealing with the issue for decades and has even expressed the belief that he has discovered what wisdom is. Maxwell explains: “... I should say that I have discovered that *science* contains, locked up in its astounding success in acquiring knowledge and understanding of the universe, the methodological key to wisdom.”^[1] It is clear that

wisdom is not just anything emotional according to Maxwell. It is not an obscure feeling as well. Wisdom, as seen by Maxwell, is a purely rational, even instrumental enterprise.

The need for such kind of wisdom, the instrumental one, is explainable in a fully comprehensive discursive manner. There is a long academic tradition in the economic science where the focus has been on knowledge and technological knowhow rather than wisdom. This type of knowledge-inquiry (a term of Nicholas Maxwell) has been successful up to a certain limit, the result being the technologically advanced society we are living in today. Such orientation on knowledge and efficiency production has turned the interest away from real pressing problems of living that humanity is facing, both the so-called global problems and everyday issues us humans are facing in our daily lives. There may be a claim that global problems normally do not connect directly to economic issues. True, but at least the problems of poverty and unequal distribution of wealth still do so. The latter would not necessarily kill anyone and therefore might not qualify as a matter of global concern but the first one can end up as lethal and has done so for a multitude of individuals. Thus, doing research in economics is engaged in the general problem of the limits of knowledge-inquiry. Research in economics and management suffers from the overstressed focus on knowledge pursuit no less than in any other branch of natural or social science. A restart with wisdom (in the instrumental sense) included or even in the focus is necessary. However, what exactly is wisdom in this current instrumental understanding after all.

Nicholas Maxwell has developed a long explanation of what he understands by wisdom: "... the desire, the active endeavor and the capacity to discover and achieve what is desirable and of value in life, both for oneself and for others. Wisdom includes knowledge and understanding but goes beyond them in also including: the desire and active striving for what is of value, the ability to see what is of value, actually and potentially, in the circumstances of life, the ability to experience value, the capacity to use and develop knowledge, technology and understanding as needed for the realization of value. Wisdom, like knowledge, can be conceived of, not only in personal terms, but also in institutional or social terms. We can thus interpret [wisdom-inquiry] as asserting: the basic task of rational inquiry is to help us develop wiser ways of living, wiser institutions, customs and social relations, a wiser world."^[2]

It is interesting as well as important that the central concept of the explanation above is that of value. More than that, it is fundamental to obtain the ability to recognize value, to see what is it that a regular normal human being should value most of all. This topic, however, can lead us away from our main course. We cannot go too deep into analyzing the ethical side of the issue. Still ethics remains part and parcel of our approach.

We have seen that the focus of academic research has to change in order to include the problems concerning values of life. Those involve traditional problems of knowledge but much more than that. In the case of economy, we can formulate the main task as follows. Let us turn to Nicholas Maxwell for help again: "How can wealth best be created and distributed?"^[3] The problem is far from being trivial. There is a normal temptation to look only for the maximization of wealth. This way, however, sustainability may be lost from sight. This may well be the greatest challenge for the liberal market economy after all. Free market regulation does not involve environmental sustainability. By all evidence, some regulation is inevitable here. The issue is, however, that it is always problematic to regulate something that has to be free by definition. This is where the need for wisdom comes in most visibly. Knowledge would not be enough to resolve the problematic controversy of regulating a free self-organizing system. We simply cannot know everything. Even the most sophisticated computers fall short here. Human mind has to step in and take its informed decisions, i.e. a wise human mind has to act, wisdom has to be implemented.

The question of fair distribution of wealth is no less complex. Wealth has to be distributed justly, no question about that but how to understand this? Obviously, fair and just does not necessarily mean equal. At the same time, big difference in wealth distribution does not normally work to the benefit of the general wellbeing of any society. Neither does unification. Again, we need to look for the instrumental wisdom to step in.

Of course, there are many other ways to define or explain wisdom in addition to what Nicholas Maxwell has proposed. More than that, there are even typologies of how to define wisdom available. For example, Shih-Ying Yang, who has studied the understanding of the concept of wisdom among Taiwanese people, has proposed the following four groups: 1) a composite of personality characteristics or competences; 2) positive results of human development; 3) collective system of practical knowledge; 4)

a process that emerges in real life contexts^[4]. The definition of Maxwell would perhaps fall under the first category taking some influence from the fourth one as well. Thus, Maxwell's understanding of wisdom is not too far away from regular popular discourse, at least as far as Taiwan is concerned. It is important to notice, however, that predominantly, Taiwanese people understand wisdom as something practical and quite close to everyday matters. Is this attitude something unique to Taiwan? We do not know this as there is not enough comparative empirical evidence available. Needless to say, it would be very interesting to run the same survey in many different countries and compare the results.

There is another interesting approach to the concept of wisdom, according to which this state of mind (if we can call wisdom so), has six dimensions altogether: 1) practicality as an individual's ability to reason carefully; 2) reflectivity as an individual's ability to reminisce on one's past and present life; 3) openness as listening to and being tolerant of alternative views and possible solutions to problems; 4) having an interactional aptitude as an individual's ability to regulate one's own emotions and expressions and to understand other's emotions and behaviors; 5) being paradoxical as an individual's ability to tolerate uncertainty and ambiguity; 6) ethical sensibility as an individual's ethics and ethical judgments and having experience as an individual's experience with challenging life situations^[5]. Again, practicality turns out in the first place.

It probably does not make much sense to compare the latter approach with that of Maxwell. These approaches are different. However, one might still claim that these two approaches involve the same issues that just have been exposed in a different way. One thing is clear though. Maxwell's claim that he has worked out a conclusive definition of wisdom does not quite hold. There is still a lot to do in order to make sense of wisdom, even from the most practical point of view. It may be that the best result in defining wisdom can be a family resemblance type of sequence of different approaches. It is obvious, that most thinkers who have tried to capture the essence of wisdom, approach the phenomenon from the point of view of practical applications to worldly matters. This understanding of wisdom has become quite common for contemporary thinkers. This is a well justified emphasis. However, there is a danger here. We must not become trapped into the fascination of the effects of direct physical (material) practice and lose sight of the ethical and emotional side of human existence. Fortunately, more than one 'scholar of wisdom' pays attention to this.

Now we need to find a clue how to begin successful implementation of wisdom in management. This cannot be a straightforward move as can be concluded from the analysis above. First, let us remember what we mean by the term. Next, we shall add new insights. However, we need to start with making sense of the term 'wisdom management'.

3 WHAT IS 'WISDOM MANAGEMENT' (IN COMPARISON TO 'KNOWLEDGE MANAGEMENT')?

As mentioned above, for some decades already, some attention has been paid to the concept of wisdom economy, contrasting it to knowledge economy. For instance, this writer has given an analytical overview of the topic^[6]. Somewhat more recently, an interesting approach to the knowledge and wisdom chain has been provided. Concerning that particular approach, the story starts from data and information. Therefore, we get the concept of Data, Information, Knowledge and Wisdom Chain (DIKW). This is an approach of Hey^[7]. The concept can be used as a synonym to Knowledge Pyramid that is connected to Information Hierarchy. This kind of hierarchical or pyramid type of approach refers to different steps of development. Data and information form the foundation. This enables us to obtain knowledge. We get to know the facts. Obviously, we need something more than just knowing the facts. We need the ability to implement the knowledge of the information that we have. This is exactly what instrumental wisdom is about. Understanding the difference between knowledge and wisdom is crucial here. We cannot go deep into philosophy with the problem. Still, let us remember that in the classical (Platonic) sense knowledge is a kind of belief, the justified true one. Such concise definition of wisdom does not exist. The case is much more complicated. Wisdom is not a belief. The notions of truth and falsity do not apply concerning wisdom. The latter is rather a special state of mind that includes everything Nicholas Maxwell has pointed out (see above) as well as much else that no one has been able to formulate so far.

Some authors have made an interesting move by adding intelligence to the hierarchy between knowledge and wisdom. This move would change DIKW into DIKIWI^[8] (the second I standing for

‘intelligence’). However, the advantage of DIKIW in front of DIKW is difficult to grasp. Rather new questions arise than anything becomes resolved. We get the feeling that intelligence must be something more than knowledge (at least in some sense) but not quite wisdom yet. We can understand this if we limit knowledge to recalling facts but not if we follow the classical definition that explains knowledge as justified true belief.

There is an understanding that in order to make sense of wisdom management on the individual basis one has to start with analysing the phenomenon of wisdom in organisations. Obviously, there is a close connection here because there cannot be organisations without individuals. One might say that there is the two sides of the same coin situation here.

Let us remember that we are speaking about wisdom management, not just wisdom economy. Management means that people deal with people or rather, one person deals with a group of people. However, organisational wisdom can hardly be meaningfully understood as the sum of wisdoms of all of its employees. Already such formulation sounds somewhat funny. Still, sometimes we can find beliefs that individual wisdoms translate into wisdom of an organisation. Obviously, organisations have to learn how to benefit from individuals. How to do this most efficiently is a crucial task. It is interesting but perhaps quite justified that wisdom in the context of management has obtained a practical connotation. At the same time, one can see strong references towards the need for spirituality. We shall not follow this lead. Let us just acknowledge that a certain amount of dedication, courage and self-respect is necessary in order to achieve managerial wisdom in addition to the objective criteria.

There is an interesting observation by Arunav Banerjee^[9] suggesting that proper treatment of wisdom management requires a specific model of knowledge management as the basis. Banerjee takes off from the idea of DIKW that we addressed above. He calls this idea ‘the pattern of relationship between different data and information’. Banerjee adds his own explanation of what knowledge management is, bringing in the concept of knowledge assets. In this treatment knowledge management becomes a system that works at the basis of knowledge assets and knowledge assets related processes. Knowledge assets Banerjee understands as follows: “... are the knowledge regarding markets, products, technologies and organisations, that a business owns or needs to own and which enable its business processes to generate profits, add value, etc.”^[10]

The model that Banerjee proposes includes two chambers, the Template Chamber or Inner Chamber and the Update Chamber or Outer Chamber. The purpose of the former is to regulate and structure the knowledge flow. It consists of a series of “knowledge templates”. The templates play an important role in the model. According to Banerjee, the templates are related to the business process of an organisation and placed in a hierarchical succession of levels.

As the name suggests, the purpose of the Update Chamber is to coordinate the process of constant updating of knowledge.

The Template Chamber is structured like a digital library. The Update Chamber is structured according to process. This means that the focus is on methodology. “It incorporates methodologies of collating information, updating information, choices between replacement, addition and update, etc.”^[11]

Banerjee claims that wisdom management is not yet a separate topic in academic literature. Still, he thinks that the concept of wisdom management plays a special role in applications. It is an important concept enabling making sense of the interaction between the two chambers of the knowledge management model that he has proposed. There is the need for wisdom in action there, i. e. instrumental wisdom. Banerjee specifies: “It (wisdom management – P.M.) relates to the process of updating the templates in the inner chamber as opposed to the information or knowledge in the outer chamber.”^[12] Needless to say, such application of wisdom is quite a narrow one. However, it points to an area where a wisdom-like capacity is definitely needed in order to make things work.

In some other approaches one can find strange, even quite unreasonable, ideas about the links between wisdom and knowledge. For instance, there is a claim that wisdom has to be converted into knowledge before it can be properly managed. The reason for such position is in a more general understanding of knowledge than we normally have in management, the philosophical one. If we were to convert wisdom back into knowledge, why strive for wisdom at all.

There is also a belief into a certain kind of circularity claiming that the growth of knowledge produces wisdom and the growth of wisdom on its part helps to produce more knowledge. This is a misunderstanding of the essence of wisdom. It is different from what we normally mean by knowledge. The circularity under question would actually mean that there is no real difference between knowledge and wisdom. This approach could be accepted if we introduce two levels of knowledge and abandon wisdom altogether. However, there seems to be no real reason for such move.

4 A WISE MANAGER OR A WISE LEADER?

Let us first rephrase the title of this subsection. There are two types of managers: administrators and leaders. There is an important twist here though. Every leader has to be a manager but certainly not every administrator is a manager. The main task of a manager of an administrator type is putting things in order in an organization and keeping them that way. It is definitely not fair to say that this type of manager does not have to be wise. Still, knowledge and accurate punctuality are perhaps more vitally important for this type of managers concerning the decisions they take and their actions.

The leader has to be wise, quite necessarily so. What does that actually mean? Some believe that the English word 'laudable' is the best characterization for a wise leader. However, being laudable is an assessment that can probably be given to a person who is trying but not necessarily succeeding. However, wisdom can be added to anything of course. A laudable person must have five features of wisdom: capacity of cognitive complexity; capacity to understand and question a situation; reveal creativity and logic in non-rational process, capacity of creative thinking and move relying on instinct in their judgments; have a long term vision and virtue and must commit long-term prosperity for humanity; capacity to reach people by the use of words, impact and acting expressing this^[13]. Thus, the core of wise leadership can be understood as a domain-specific or contextual concept with various degrees^[14].

Now one might ask, why not speak about wisdom of leadership rather than wisdom management. It is possible to speak about wisdom of leaders, just as one can talk about wisdom of any individual from any field. However, looking from the disciplinary angle, there has to be an abstract approach. Here we meet the discipline of management. The study of leadership does not make an independent discipline so far. Can it do so some day? Perhaps but this is not really our topic here. Thus, there is no contradiction between speaking about wise leaders and wisdom management.

Still, what is wisdom directly in connection with leadership? There are considerations available, some of them quite simplistic but at the same time, no one can claim that they are plainly untrue.

For instance, Jordi Alemany proposes the following definition: "Leadership wisdom is the ability to understand how people, events, and situations affect your position and vice versa, combined with the courage to apply the right actions in order to deliver the correct outcome."^[15] This sounds good, especially bringing in the need for having courage is a novel move in the context and definitely a good one. Without taking the courage to act wisdom will remain disguised and, as a matter of fact, does not even exist. But Alemany also proposes a simple formula: Wisdom = Knowledge + Action. This is definitely the core of effective leadership and not only that. However, the formula does not work as a definition of wisdom just by the same reason why knowledge is not just true belief. One might try with Wisdom = Knowledge + Useful Action. Still, the result would not be any better than Plato achieved in *Theaetetus* for knowledge. It is even considerably more complicated as we presumably know what opinion or belief is as well as we know what does it mean for an opinion to be true. Just the issue of justification remains. In the case of Alemany's definition of wisdom, however, we have more uncertainty. We even do not know what knowledge actually is, not to speak about the tricky issue of action being useful or effective.

However, Jordi Alemany definitely deserves some credit for strongly pointing out the main issue that has to be resolved in order to start moving towards wisdom – the gap between having an idea (knowing something) and implementing the idea successfully in practice. There is a legitimate question though – does Alemany's 'wisdom' differ anyhow from Gilbert Ryle's 'knowing how'. We probably don't need a new concept for making sense of adding action to knowledge. The concept has been available in philosophy since 1940's already.

Still, there is more what Alemany has to be credited for. Wisdom definitely has to be built from within as he claims. Still another issue is the list of the 20 keys to become a wise leader. We shall not

comment on each and every key, although a lot can be discussed and criticised there. We shall concentrate on the groups of the keys. There are five of them. They are even and contain four keys each. Let us first list the groups:

- 1) Be courageous;
- 2) Build mutual trust;
- 3) Avoid destructive internal competition;
- 4) Focus on what truly matters;
- 5) Promote people who understand the value of people.^[16]

These well taken points are all really about wisdom and not about knowing-how. They are all positive ethical claims and valuable as such. The problem is, however, that they are kind of self-evident. Without following these guidelines, failure of the leader is inevitable, at least in the long run. On the other hand, the list is not exhaustive. An important emphasis is absent. It is the question of how to include creativity. It may be considered self-evident that a good (wise) leader has to be creative. It is easy to formulate the requirement, but how to implement it is a totally different issue? One can develop her own creativity but only to some extent that might not be enough. If we cannot know how to learn and also how to teach creativity then we have to rely on self-organization. However, self-organization does not necessarily come about by itself. It takes some effort to turn a company into a self-organizing system that would enhance the creativity of its members. However, there is no other way to build a company that can take the most of a creative leader.

The latter is a crucially important point to be made. It appears that a self-organizing organization, despite for its name, requires a leader who is wise and creative. A company where self-organization does not occur can be just managed but no effective leadership can be implemented there. Even a wise and creative leader cannot create miracles in such a system. On the other hand, even a self-organizing system cannot develop in the right direction on its own without wise leadership. According to Ilya Prigogine, the originator of the methodology of self-organization, there is openness to information exchange needed for an organization to be fully effectively self-organizing. As the result of the information exchange, there is often some kind of instability there what the leader has to take care of. Taking care does not necessarily mean stabilizing here. Sometimes just the opposite is true. Some of the moments of instability provide the options to initiate substantial changes in the organization. It takes a wise leader to recognize these crucial moments and act in the benefit of the organization on the basis of her wisdom. This is the reason why a leader can take advantage of management wisdom in a much better way than an administrator ever can. A wise manager has to be a leader.

5 CONCLUSION

Our conclusions are obvious. Wisdom, as understood today both in the academia and on the common sense level, is a state of mind that exposes itself only through practical activity. For instance, Jordi Alemany puts it in a nice but straight forward manner: “The knowing-doing gap is the leadership inability to turn knowledge into actions. In other words, it is the leadership incapacity to do what they know that needs to be done. A clear lack of wisdom!”^[17] Given this understanding of wisdom, there is a direct connection between leadership in self-organizing companies and the core of wisdom management. Although there are very many details that play an important role here, as we saw above, the main point is that wisdom helps to connect knowledge with action. However, wisdom is not just knowing-how. The concept contains much more and includes the emotional part of human life, including morality and creativity. A robot can never be a wise leader because an important side of human wisdom is always missing when we try to apply artificial intelligence for our purpose. Being (or not being) wise is necessarily a human faculty. Perhaps the artificial intelligence can have knowledge and even surpass human beings in this category but it can never obtain wisdom.

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