Organizational Practical Wisdom:
Milestones and Envisioned Future

Virtual Mini Symposium:
Responsible Knowledge Management

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INTRODUCTION

We maintain...
VUCA
&
BANI
State of Affairs

But we want...
Sustainability
Responsibility
Purpose

Shorttermism
Immediacy
Egoism
Opportunism
Savage Capitalism

Longtermism
Longevity
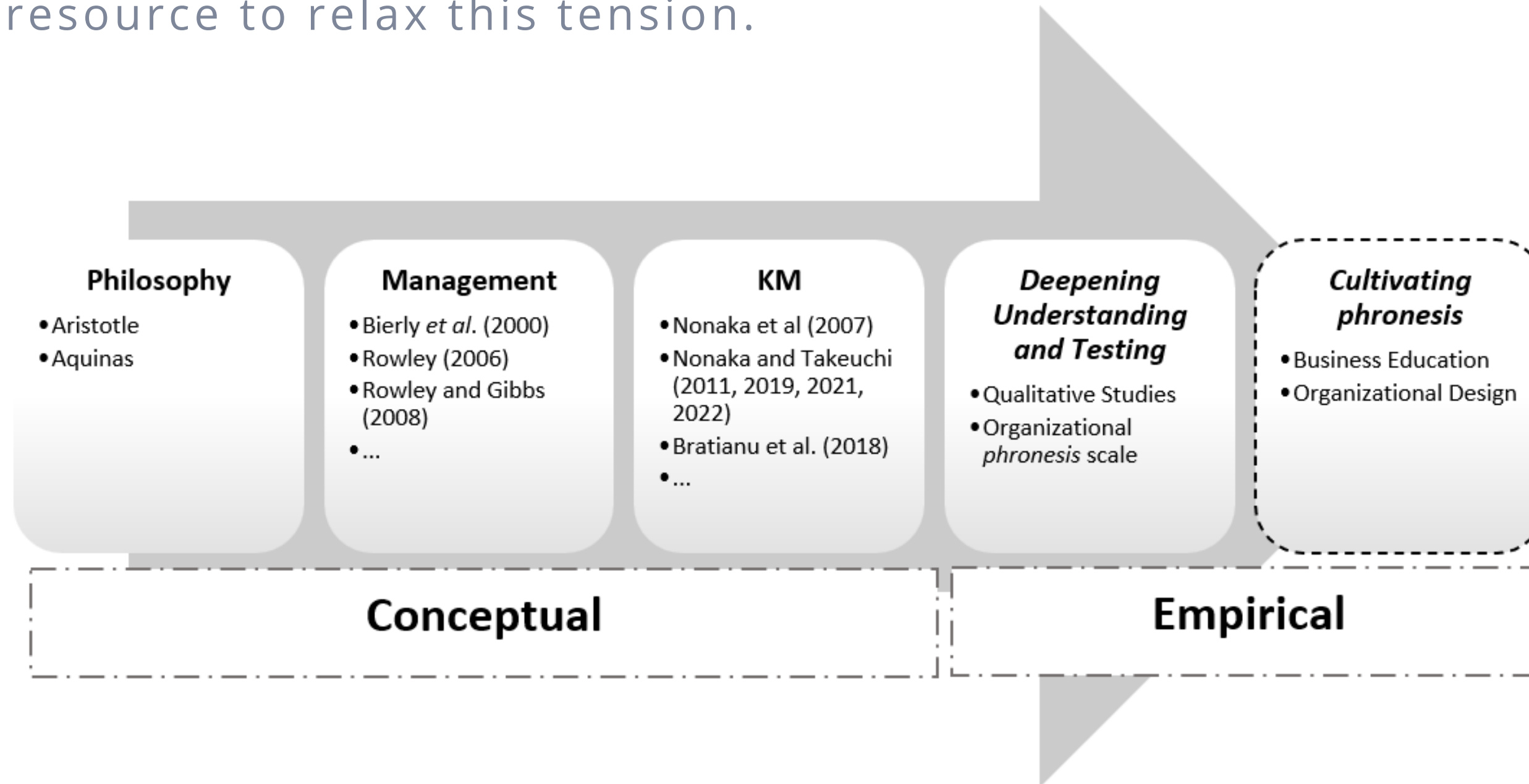Weighing of interests
Continuous Innovation
Common Good

Phronesis

Given the knowledge-based economy, *phronesis* (practical wisdom) can be a knowledge resource to relax this tension.

Phronesis

Growing interest in the ancient Aristotelian construct of phronesis, i.e., doing "the right thing, in the right way, and at the right time" (Aristotle, 2004, p. 113).

It is "knowing-what-should-be-done" (Nonaka & Takeuchi, 2019) and helps determining what 'good' knowledge is (Tsoukas, 2005).

Phronesis improves business education, managerial reasoning, decision making, and acting (Bachmann et al, 2018; Bratianu et al., 2020).
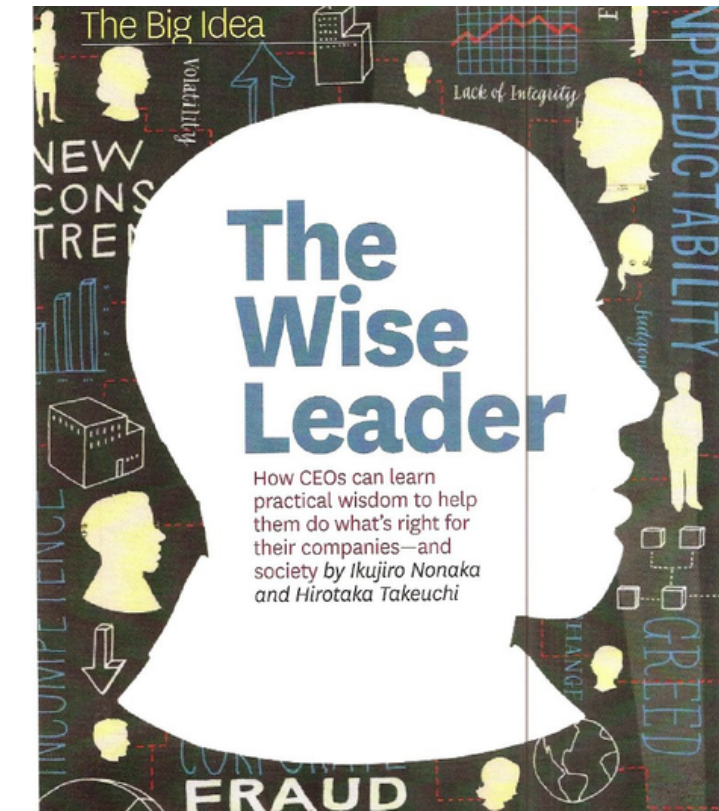
(Nonaka & Takeuchi, 2011, p. 1)
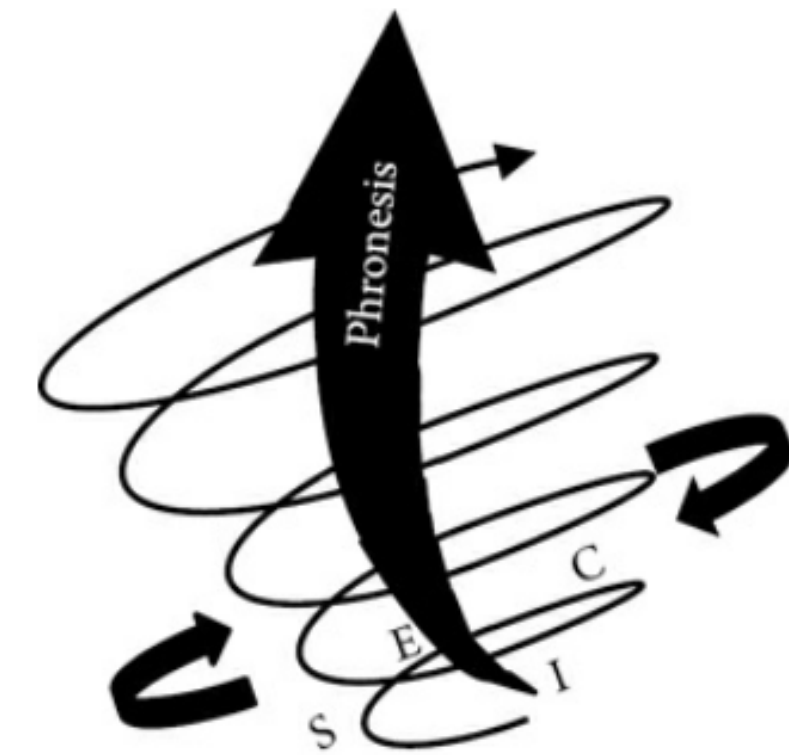
(Nonaka & Takeuchi, 2019, p. 85)

THEORETICAL BACKGROUND

Rowley (2006a, p. 557) defines wisdom as "the capacity to put into action the most appropriate behavior, taking into account what is known (knowledge) and what does the most good (ethical and social considerations)".

It "is the experiential knowledge, embedded in character, used by individuals to determine and follow courses of intentional action" (Halverson, 2004, p. 92), that complements tacit and explicit knowledge, is action-oriented, and includes value judgment (Nonaka and Toyama, 2007; Erden, von Krogh, and Nonaka, 2008; Nonaka et al., 2014).

In summary, management literature offers several definitions and approaches to practical wisdom.

Organizational *Phronesis*

A practically wise organization is a virtuous learning organization (Rowley and Gibbs, 2008, p. 367). It can "put into action the most appropriate behaviour [...], taking into account what is known and the legitimate concerns of its various stakeholders" Rowley, 2006, p. 257/262).

Successful organization are those "that can best use what they know and know what is most strategically important for the firm and the society as a whole" (Bierly et al., 2000, p. 596)

Phronesis
of
Organizations

Phronesis
in
Organizations
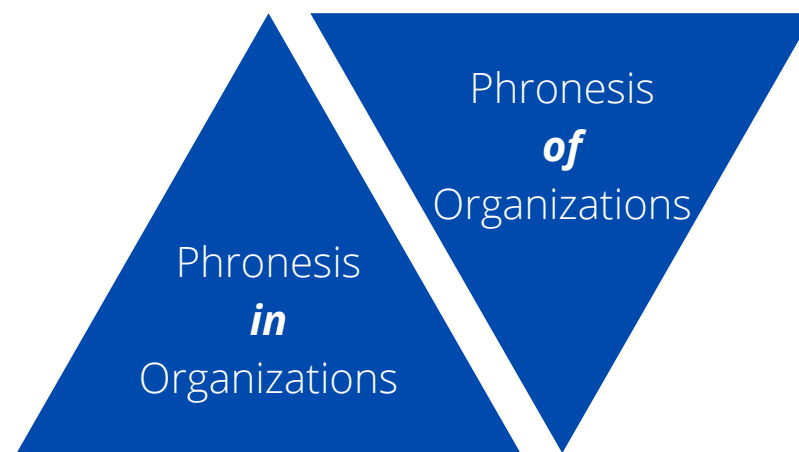
(Kragulj, in press)

P-**i**-O: Individual phronesis of leaders (and others) for the benefit of the organization (Nonaka & Takeuchi, 2011, 2009) --> HRD, Management education

P-**o**-O: Strategy (e.g., *needs-based strategizing)*, mission-driven communication, leadership, process design

Organizational *Phronesis* Scale (OPS)

Most research on phronesis is conceptual (Bachmann et al., 2018; Rocha et al., 2022)

- Determining the concept of organizational practice wisdom (SLR - WoS and Scopus);

- Generating the set of items (14 interviews);

- Determining the measurement format (Likert - 5 points);

- Reviewing the item set - 16 (pre-testing, content and linguistic validation);

- Inclusion of validation items (KM and OS);

- Administration of the items to a development sample (EFA - 199);

- Evaluation of the items (CFA - 161 respondents).

- Nomological validation

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ANALYSIS OF THE RESULTS

Scale final items

1. The company's **acting** reflects its mission and **values**.
2. There is an **understanding** of the moral and ethical expectations of stakeholders (members, customers, suppliers, partners, and others).
3. There is a **response** to the moral and ethical expectations of stakeholders (members, customers, suppliers, partners, and others).
4. The company's **actions** are weighted.
5. This company can **adapt** to changes and instabilities in the environment.
6. The company's actions are **efficient**.
7. The company's actions are **effective**.
8. People can effectively **choose** and **apply** the appropriate knowledge in a given situation.
9. People **reflect** on their actions and mistakes.
10. People believe that **learning** is important.

Our envisioned way ahead

Statistically assessing the relationship of *phronesis* to organizational outcomes (KPIs).

Developing ways to cultivate individual and collective *phronesis*:

- ***Phronesis in organization*** --> Entrepreneurial education in a "phronesis lab" that facilitates personal development and 'substitutes times' through collective learning.

- ***Phronesis of organizations*** --> Establishing and enacting "practically wise" structures in organizations; could be helpful for organizations of different maturity states and different stakeholder orientations: e.g., start-ups, multi-stakeholder-organizations (e.g., public-privat partnerships, NPOs,...)

Obrigada!

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Vielen Dank!

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