Developing practical management wisdom

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Abstract

Purpose – This paper aims to propose and explain a procedure for developing practical wisdom in novice managers.

Design/methodology/approach – A heuristic model of practical management wisdom which articulates and displays its dynamic nature was constructed from the literature. The model was then applied to two recently published narrative accounts of effective management, and to an empirical case study that was conducted by the author, to test the heuristic value of the model for novice managers.

Findings – The literature review revealed that practical wisdom relies on a dynamic interaction between perception, experience, character, and an insightful vision of what is proximately and ultimately good for people, organizations, and business. The applications of the model demonstrated its capacity to illuminate the thinking and actions of senior managers for novices.

Research limitations/implications – Further empirical evaluation of the model is required to confirm its heuristic value.

Practical implications – The model and the applications reported in this paper should be of use to academics and human resources practitioners interested in the professional development of managers within classroom settings and organizational settings.

Originality/value – The heuristic model is an advance in that it brings together and integrates a wide range of views about the factors that constitute and enable the operation of practical management wisdom. The applications commence the task of enriching the abstract model with illustrative examples, and provide a practical means of assisting novice managers to understand what has often been considered ineffable and inaccessible.

Keywords Knowledge creation, Junior managers, Narratives

Paper type Research paper

Introduction

The goal of this paper is to propose and explain a procedure for developing practical wisdom in novice managers. The need for a clearer understanding of, and more widespread development of, practical management wisdom has recently been highlighted by Vaill (1998), Gosling and Mintzberg (2003), Small (2004), and Bennis and O’Toole (2005). Small (2004) contends that a strong case can be made for the inclusion of “managerial wisdom” in management development programs, “in view of the number of management practitioners who seem to make wrong or possibly ‘unwise’ decisions on too many occasions” (Small, 2004, p. 763). He provides seven recent Australian examples to support his contention.

Gosling and Mintzberg (2003) lament the usual structure of MBA education as a preparation for the practice of management. Their complaint centers on the separateness of subjects within an MBA program, “which divides the management world into the discrete functions of marketing, finance, accounting, and so on” (Gosling and Mintzberg, 2003, p. 55). Gosling and Mintzberg maintain that the complications and confusions of management require an education that emphasizes synthesis, not
separation. As they put it, practicing managers “must focus not only on what they have to accomplish but also on how they have to think” (Gosling and Mintzberg, 2003, p. 55).

Bennis and O’Toole (2005) make a similar point when they remind us that most challenges facing managers are not so much questions of accumulating facts as they are questions of judgment. “When applied to business – essentially a human activity in which judgments are made with messy, incomplete, and incoherent data – statistical and methodological wizardry can blind rather than illuminate” (Bennis and O’Toole, 2005, p. 99). This emphasis upon wise judgment is not new. Vaill (1998) points out that as far back as 1938, Chester Barnard said that true executive abilities are matters of “feeling, judgment, sense, proportion, balance, appropriateness” (Barnard, 1938, p. 235). To emphasize the need for synthesis and judgment, and for having a sense of proportion and appropriateness, as these authors do, is to emphasize the need for earlier and more widespread development of practical wisdom in managers.

We therefore need to know more about the nature of practical management wisdom – what its component “parts” are and how it operates as a form of reasoning and deciding, if we are to discover procedures for its development, rather than relying upon chance and many years of workplace experience.

Methodology
To better understand the nature of practical management wisdom as a capacity to perceive, deliberate, decide, and act effectively, a three part interpretive investigation was conducted. First, I reviewed the literature on practical wisdom, in order to construct a heuristic model of the dynamic interplay between experience, character, perception, and cognition as conjoint enablers of practical management wisdom. I then tested the heuristic value of the model for novice managers in steps two and three.

In step two of the research, the recently published narrative accounts of successful management by Jack Welch of GE and Lou Gerstner Jr of IBM were analyzed by 38 students enrolled in an MBA course delivered by the author. The students were challenged to identify illuminating examples of practical management wisdom that reflected the design of the heuristic model. The narratives of Welch and Gerstner were chosen because both practitioners are widely (although not universally) considered to have been effective, successful managers – not because their narratives were seen as more revealing or valuable than those of other practitioners from different industries or cultures; and not because Gerstner and Welch are considered to have been wise in all of their deliberations and actions.

In step three of the research, I conducted an empirical investigation between March and August 2006, through a series of six in-depth qualitative interviews with a senior Australian manager, inquiring into his perceptions, deliberations, decisions, and actions during the successful turn around of a subsidiary company in Japan. Those interviews were guided by the heuristic model that is presented in this paper, and took a form that could be replicated by novice managers who have access to senior members of their organization. The interview transcripts were then analyzed as primary data, and discussed in terms of demonstrating the value of the heuristic model for accessing and understanding particular instances of practical management wisdom.

There were therefore two reasons for applying the model to a reading of the secondary and primary data. The first reason was to test the model – not in terms of the extent to which we can generalize from it, or base predictions upon it, but instead to test it in terms of its value as a heuristic device for novice managers: a frame of intelligibility for the perspicacious reading of practitioner accounts of their actions,
whether those accounts are secondary or primary. The second reason was to place myself in the position of an aspiring or a novice manager, so I could explore the ways in which the model would be useful in helping to access and understand practical management wisdom as a way of thinking and being.

**Relevant discussions of practical management wisdom**

Halverson (2004, p. 92) characterizes practical wisdom as knowledge of “how to apply general principles, generic tools, or wide-scale evaluation information to the idiosyncrasies of particular contexts”. As Schwarze (1999, p. 81) explains, “something about the realm of the practical precludes easy subsumption of a particular case under a universal rule. Right action demands more than knowledge of a set of rigid rules supposedly applicable to all situations; it also demands keen perception of relevant particulars”.

Halverson (2004) also remarks on the importance of keen perception when he refers us to Aristotle’s visual metaphor: the sense in which expert practitioners develop, over time, an “eye” for identifying particular situations as worthy of action, and develop the capacity to adopt “courses of action that satisfactorily address these situations” (Halverson, 2004, p. 92). As Schwarze (1999, p. 91) reminds us, “rather than face a situation ‘cold’, deliberators rely on past experiences to discern the repeated aspects of a situation from the new, the relevant aspects from the irrelevant”.

Hannabuss (2000, p. 218) also recognizes and values the kind of knowledge that can come from experience:

> ... knowledge which, when applied to complex situations and problems, enables the manager to identify the key issues, what is likely to have caused the problem, what solutions have been used in the past and can be used again.

Hannabuss suggests that we use the term “configurational knowledge” to capture what is unique about the form and nature of this sort of knowledge.

Halverson (2004, p. 95) makes much the same point as Schwarze and Hannabuss, although he uses different terminology, when he writes that “experienced practitioners develop mental models that, over time, influence the kinds of problems they are able to notice and act upon”. Clearly, experience that leads to configurational knowledge or mental models can usefully shape perception, but so too does character (Schwarze, 1999).

The importance of character for perception of relevant particulars is emphasized by Hartman (2006) in his comment that, according to Aristotle, “the person of good character perceives a situation rightly – that is, takes proper account of the salient features” (Hartman, 2006, p. 74). Practical wisdom is not only a kind of knowledge, but also a way of knowing that relies upon character as a way of being: “embodied in character and developed through habit, it is expressed through particular actions as how individuals ‘size up’ a situation and develop and execute an appropriate plan of action” (Halverson, 2004, p. 93).

The relationship between character and keen perception can be substantiated for novice managers by considering what lies behind the capacity to perceive and then quickly act upon a business opportunity. That capacity is articulated by two related concepts: pattern recognition (Baron, 2006) and creative response (Duggan, 2003). Baron (2006, p. 106) observes that pattern recognition “involves recognition of links between apparently unrelated trends, changes, and events – links suggestive of patterns connecting them together... in essence, pattern recognition, as applied to
opportunity recognition, involves instances in which specific individuals ‘connect the dots’ ... the patterns they perceive then become the basis for identifying new business opportunities”.

Whereas pattern recognition is conceptualized as a cognitive process (Baron, 2006, p. 108), the notion of a creative response acknowledges the need to include not only cognition, but also character in our attempts to explain effective management perception and action. The economist Joseph Schumpeter (1947) introduced the concept of “a creative response” as “the ability to perceive new opportunities that cannot be proved at the moment at which action has to be taken, and on the other hand, will power adequate to break down the resistance that the social environment offers to change” (Schumpeter, 1947, cited by Duggan, 2003, p. 46). To be disposed in one’s character to creatively respond to the unexpected, and to willfully press forward to make the most of opportunity, is therefore part of what it means to be wise in a management sense.

There is one final aspect of practical wisdom that is discussed in the literature, and which must be incorporated into a comprehensive, heuristic model. Although seeing and taking advantage of opportunities is clearly a sign of wise practice, the notion of wisdom is also suggestive of seeing broadly and deeply. Nozick (1989, p. 276) proposes that:

… wisdom is not simply knowing how to steer one’s way through life’s difficulties ... it is also knowing the deepest story, being able to see and appreciate the deepest significance of whatever occurs ... knowing and understanding not merely the proximate goods but the ultimate ones, and seeing the world in this light.

Not surprisingly, there are many business authors who argue that having a vision of what is good for the company and its stakeholders is crucial to the exercise of wise and effective management (Collins and Porras, 1996; Tichy, 2002; Ward, 2003; Yukl, 2002).

Having briefly reviewed the concept of practical wisdom through a consideration of its various dimensions and the ways in which they are dynamically related, we are now in a position to visually display those dynamic interrelationships in the heuristic model in Figure 1.

There are three features of practical wisdom that are highlighted by this model:

1. the way in which wisdom is developed over time through reflective attention to the meaning of experiences;
2. the way in which wisdom requires cognitive schemas but also and essentially involves character and vision;
3. the way in which wisdom results from its enabling elements operating as a whole and in concert rather than individually or sequentially.

Analysis of phronetic practitioner narratives

Narrative has the potential to display wise judgment and action in a form that novice managers can learn from, because narrative is able to display the application of general principles based upon responsive insights into contextual particulars. This revealing capacity of narrative arises from its inherently temporal, causal, and meaningful nature (Richardson, 2000; Ricoeur, 1984; Polkinghorne, 1988). A narrative presents a story which answers the question “What happened next?” (temporality); and a story embodies a plot which answers the question “Why did these things happen?” (causality). The plot of a narrative provides inner coherence (meaning) for the story, by
revealing causal relations between events and outcomes retrodictively explained over time, and by revealing human intentions.

A cohort of 38 full-time MBA students enrolled in a course with the author, agreed to participate in this study. All of the students were under the age of 30 and had limited organizational and management experience. When asked to examine Jack Welch’s account of his years at GE (Welch, 2001), they were readily able to discern instances of Welch’s practical management wisdom, by applying the heuristic model. Given the limitations of space, I will restrict this analysis to just one example. Welch tells us that when he was promoted to the role of group executive for GE, in 1973, one of his projects was to improve the performance of GE’s medical business: at that time it was an unprofitable operation with $215 million in sales. By the year 2000, it had an operating profit of $1.7 billion on over $7 billion in sales.

Welch attributes that success to having already learned from previous experience and being able to use that experience to guide his decisions about the leadership team that he appointed. He had profited earlier in his career from developing high-achieving people and setting them dramatically ambitious tasks, and the MBA students identified how Welch (2001, p. 56) used that lesson to his and GE’s advantage:

> Once again I saw the benefits of acting like a small company. Giving the project visibility, putting great people on it, and giving them plenty of money continues to be the best formula for success.

When the students related this example to the model, they could see that Welch had developed a cognitive schema from experience that informed his deliberations about
how to improve the performance of the medical business. Significantly, at the centre of his cognitive schema or personal theory of business, was an emphasis on the character of the people that he chose to lead the organization.

In *Jack*, Welch (2001) has provided us with rich, ideographic detail relevant to seeing and understanding the ways in which character is central to the operation of practical management wisdom. This is not to suggest that a reading of his narrative should be undertaken by novice managers as part of an inductive search for evidence about the set of ideal character traits for business leaders. It is instead to propose that *Jack* reveals how a particular character is reflected over time in decisions and actions that lead to success in particular circumstances. At issue is not so much the correctness of Welch’s character as the contribution of his character. A different character would have made a different contribution to perception, deliberation, and action, and therefore would have made a different contribution to the story of the business. The challenge for the novice is to identify the kind of contribution that his or her character would make possible.

Another well-known business manager’s narrative account of his practice is that of Lou Gerstner Jr. Gerstner’s (2002) narrative accords with the model’s emphasis on deliberation and judgment that is based upon a deep and broad understanding of both the ultimate and proximate goods for the business. The students chose to focus on how Gerstner deliberated about changing IBM’s strategic direction. Prior to his appointment in 1993, IBM had decided to move toward segmentation of its businesses, to mirror what was seen to be happening across the IT industry.

Gerstner (2002, p. 59) saw, however, that this strategy was based on a misunderstanding of customers’ motivations, and upon an understanding of strategy that failed to understand implementation:

> It wasn’t really that the customer desired a whole bunch of fragmented suppliers.

As a consequence of his deeper perception of the situation, Gerstner decided to keep IBM together as an integrator of technology and thereby as a supplier of usable solutions. Gerstner’s decision provided the students with a clear example of the kind of synthetic thinking and insightful perception that Gosling and Mintzberg (2003) claim is central to effective management.

There are many other examples in both narratives which support the ways in which the heuristic model highlights the conjoint importance of experience, character, and judgment operating in concert to produce wise decisions and actions. The central point to be made here is that reading the narratives through the lens of the model should assist novice managers in the task of recognizing how practical management wisdom functions as an emergent capacity and how it is always synthetic and contextual in its nature. Of course, further research is required to substantiate this claim.

**Applying the heuristic model to an empirical investigation**

An equally important potential value of the heuristic model concerns first-person empirical inquiries into the nature of individual examples of practical management wisdom. One direct practical implication for organizations is that junior managers could use the model as a guide when interviewing senior managers or mentors. To the extent that the model directs the attention of both the novice and the mentor to the factors that enable wise management decisions and actions, conversations that are guided by the model should contribute to faster and deeper development of wisdom within the novice.
To explore this possibility, I conducted a series of six in-depth qualitative interviews, between March and August 2006, with a senior Australian manager (David) who had worked for a multinational chemicals company. During the interviews, I explored David’s perceptions, deliberations, decisions, and actions during the successful turn around of a subsidiary company in Japan. Those interviews were guided by the heuristic model that has been presented in this paper. David was informed about the purpose of the interviews as an inquiry into practical management wisdom, and that notion was defined for him as “effective action that results from applying general knowledge and experience to particular situations, taking into account what is for the best in the long term, rather than merely expedient”.

David was encouraged to frame his responses to questions in narrative form, given the points made earlier about the revealing capacities of narrative accounts. He began by outlining the background that led up to his placement in Japan: a fall off in performance due significantly to culturally insensitive management on the part of the former CEO, also an Australian. Unlike his predecessor, the interviewee had extensive previous experience in Japan, even taking his honeymoon there in 1969. The importance of perception that is informed by prior experience, and by an accompanying curiosity and openness to learning, was thereby highlighted for any novice manager who might be conducting such an interview.

The model also suggests that successful decision making and action taking occurs within the context of a vision of what is of proximate and ultimate good for the organization, so basing the interviews on the model led me to inquire deeply into David’s approach to arriving at a vision. When this was discussed, it became clear that a complex process was involved. David put it this way:

I had a broad picture in my mind when I arrived in Tokyo. Costs were unreasonable, there were complaints about bills, and there was no proper respect for line authority. So when I walked in I saw immediately what things were contributing to the poor performance.

When I proposed that not only vision, but also character, are essential contributors to practical management wisdom, David agreed. He said:

I built up respect not from something I decided to do but from who I am. I think the boss’s job is to design systems that are on their [the staff’s] side. I was playing hard for the team, as fast and hard and wide as I could.

Part of David’s character as a younger man had been shaped by a successful career of playing rugby league, and it seemed that his experience in a team sport had shaped his outlook on contributing to and supporting his staff, as his “team”.

A more detailed discussion of this empirical investigation will be provided in an additional paper, but enough has been presented here to show the benefits for novice managers of interviewing in a way that pursues connections between experience, character, vision, and judgment operating in concert. The interview material also demonstrates the richer intelligibility that is made possible by the depth of context provided by narrative accounts, given that practical wisdom always is called forth by particular circumstances.

Concluding remarks
This paper began by presenting the case for including the development of wisdom in management development programs – whether they are external university programs such as MBAs or internal organizational programs provided by a training and
development department. The nature of practical wisdom was then reviewed in general terms, leading to the construction of a comprehensive, integrated, heuristic model of the interacting elements that enable the development and operation of practical management wisdom. That model reflects three key conclusions from the literature:

(1) wisdom is developed over time through reflective attention to the meaning of experiences;
(2) wisdom requires cognitive schemas but also and essentially involves character and vision;
(3) wisdom results from its enabling elements operating as a whole and in concert rather than individually or sequentially.

Support for the heuristic value of the model was then provided through a brief illustrative analysis of two well-known narratives of successful management practice, and through a brief presentation and analysis of an empirical inquiry conducted by the author. Although these applications do not constitute statistical validation of the model, in both cases, it was clear that the model does direct our attention as readers, and as interviewers or as novice managers, to features of practical management wisdom which might otherwise go unnoticed or at least not be noticed so powerfully.

Nevertheless, the model in its current form is neither complete nor definitive. Further research is needed in relation to the ways in which managers who develop practical wisdom tend to reflect upon and learn from experience. In addition, the personal theories – or schemas (of business, organizations, and people) that inform the judgment of wise managers need to be differentiated from the personal theories of those who are less wise. The sorts of character traits that are best suited to wisdom in a managerial sense, and how those characters are cultivated, is a further area in need of research. Finally, a far more comprehensive and informative set of illuminative examples of practical management wisdom in action is needed to supplement the abstract nature of the model.

The heuristic value of the model also needs to be more firmly established through wide-scale empirical inquiries into its application by novice managers in organizational contexts, and by aspiring managers in classroom contexts. This paper has made a contribution to that work, even though there is more to elaborate and extend at conceptual and empirical levels.

References


Further reading

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