

Dear Prudence: Addressing the Relationship between Regulation and Virtue through the Application of Practical Wisdom

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Abstract: *Often referred to as practical wisdom, the intellectual virtue of phronesis is required to find the right course of action, when often more than one virtue is in conflict. Within corporate management decision-making, phronesis provides a compass for navigating through the complex moral mazes. In addition, when an individual experiences cognitive dissonance between personal beliefs and those of the organisation, practical wisdom is required to encourage metacognition (Solomon, 1992). Thus, the importance of acquiring and attaining practical wisdom is essential for practicing the virtues within organisations.*

By applying the connections outlined in Riceour's (1992) seventh study on the self and ethical aim, concerning the actions and self-reflection utilised within the possible execution of phronesis in practice through complex deliberation, I suggest that narrative theory can be used to focus of regulatory controls on aligning organisational strategic and operations plans to societal, economic and political interests, to produce ethical action. (Riceour, 1992, pp.177-78)

Introduction

Research into decision-making has extensively been carried out by business management academics, psychologists and philosophy scholars, in order to identify the key attributes that can impact on an individual's ability to make the right moral choices. Crane and Matten (2004) suggest there are three major components to making moral evaluations, there exists the cognitive and emotional processing in addition to situational influences. From an individual perspective, "cognitive moral development" and "personal integrity" appear to influence individual moral judgements more substantially. However, the context or issue surrounding situational factors can result in different ethical conclusions, supporting the theory that individual's have multiple ethical selves (Trevino and Nelson), whereby the situation will affect the process of moral reasoning. Official processes, reporting and regimes typically identified within regulation can often be regarded as bureaucratic and bureaucracy is seen to have a significant impact on moral reasoning, (Weber, 1968, Sherrer, 2000, Jones et al., 2005).

Individual character and aspirational goals are susceptible to bias and the blind spots contained within choice, perception becomes an important factor in being able to carry out

ethical decision-making, (Bazerman et al., 2011, p5). However, perception can only be relied upon providing the agent has the lived experience that enables them to appreciate the true value of virtues (Koehn, 1998).

When considering modern day governance and economic theories, the board of directors that resides in any large business corporations is a significant factor (Fama and Jensen, 1983a; Williamson, 1983, 1984). The key constituents of any board is the board characteristics and assortment within boards has become a major area of research given the significance of this dimension (Garcia-Meca et al., 2015). There are proven links within resource dependence theory between differences within board compositions and improved decision-making through the enhancement of information requested and interpreted (Carter et al., 2010). Although studies from social psychology would suggest that such differences can lead to an increased amount of time utilised on making decisions in order to deal with disagreements caused through different viewpoints (Milliken and Martins, 1996).

When evaluating how senior leaders engage with governance mechanisms that promote virtuous behaviours, there is a requirement to consider the function of regulation. Sinnicks (2014) argues that the materialistic nature of corporate organisations does not nourish virtuous behaviour, to the contrary it can encourage vice. Although managers are significant within the social order, not only are they influential, they are also heavily influenced Mangham (1995). Although governance can encourage moral education within the system, it is reliant on the agents operating within the system to act accordingly and not be influenced by the “institutional acquisitiveness” (Sinnicks, 2014). In order to understand further the dynamics of organisations that endorse governance systems, it is first worth exploring the nature of the bureaucratic organisation.

The Bureaucratic Organisation

“The bureaucratic organisation’s specific nature, which is welcomed by capitalism, develops the more perfectly the more bureaucracy is dehumanised” (Weber 1978:214)

The bureaucratic organisations that house corporate professionals are often considered to be ordered, ranked and conforming to the rules and law that govern. The environment of such organisations encourages individual purpose to be secondary to achieving organisational aspirations (de Gay, 2004). The outcomes from nurturing a culture of subordination can result in individuals relinquishing their moral accountability to their professions whereby, “ethical agency can be exercised either through one’s selection of occupation, or through one’s political influence over the influential world, but not through one’s behaviour within that world.” (Gill, 2009, p.72).

Organisations that are highly influenced by bureaucracy can deceptively influence an individual's moral instinct through "rule-governed" ethics, (Bauman, 1993). Such bureaucratic organisations bore the concept of the bureaucratic character (Jones et al. 2005:87), whereas bureaucratic work can scope or descope an individual's moral reasoning whilst in the workplace, in order for them to follow in the path of the organisational morality and align their self with that of the institution (Jackall, 1988). In doing so, the moral agency of an organisation supersedes an individual's intrinsic moral compass, therefore a more in-depth understanding of how virtues, concerned with the other, impacts on moral judgement and the ethical self (Levinas, 1991; Riceour, 1992).

There is a risk when focussing on the practice of the virtues when assessing the organisational behaviour of individuals that we fail to consider how company culture can impact on judgements. Aristotelian virtue ethics does not take into consideration how good people can simply make bad choices through following procedures that are flawed. The notion of the practically wise person being able to persistently turnover virtuous responses within virtue ethics theory, negates to analyse the components of an agent's individual reasoning (Koehn, 1998).

Corporate Characters

Watson (2008) claims that organisations can influence personal perceptions of identities and incites individuals to reassess the conceptions of themselves. MacIntyre (2007) argued that "characters are the masks worn by moral philosophies" and furthermore a manager is merely a character role played by people in organizations (MacIntyre 2007: 25-37). Hackett and Wang (2005) claim that the corporate self is often a different self to the one portrayed in personal social situations, thus in agreement with the view of MacIntyre. However, MacIntyre supports the Aristotelian view that once a moral agent has been established, it becomes a permanent fixture within a person's character, despite the compartmentalisation of differing personas such as the bureaucrat, executive, family man or community champion. If this was a valid argument, Moore's (2012) suggestion that effective governance systems necessitate leaders who promote social acceptance and build community alliances, would not be required, as a leader with integrity and constancy would strive to achieve excellence in all cases.

The rudimentary philosophy behind moral behaviour encompasses fairness, equality, honesty and trust, however there are areas of weakness for a board member, who may not be conscious of the potential outcome of a decision, action or in cases, lack of action. The moral obligation that a board member must have to all other board members, the entire organisation and stakeholders, can often be discounted when areas of self-interests come

into discussions, subsequently leading to displays of unethical behaviour. Moral behaviour can only be conceived when the board of the organization demonstrates strong moral conduct (Campbell, Kitson, 2008).

It would be fair to conclude that the necessary virtues required in the situational element of corporate decision making will to some extent be relative to individuals, development stages and social circumstances (MacIntyre, 2008). The virtues required to deal with high risk strategies that can have far reaching consequences are not the same as those that those in a small enterprise in a rural community. Human experience provides a sphere of influence which shapes virtues making it challenging to draw conclusions on corporate virtues based on the theoretical explorations alone (Solomon, 1992).

Moral recognition refers to an individual's sensitivity and self-awareness, being emotionally intelligent enough to self-monitor and develop. Rest et al. (1999) believe self-reflection is critical for sustaining moral behaviour. Rest suggests that individuals with a strong set of personal virtues are required to ensure actions is taken upon ethical choices are they are implemented. Traits such as integrity, reverence, compassion and justice are common among strong moral characters, along with self-reflection in order to understand why or how a decision has failed in order to develop their moral character.

The Case for Practical Wisdom

“Practical wisdom is concerned with all things human and things about which it is possible to deliberate; for we say this is above all the work of the man of practical wisdom, to deliberate well, but no one deliberates about things invariable, nor about things which have not an end, and that a good can be brought by action. The man who is without qualification good at deliberating is the man who is capable of aiming in accordance with calculation at the best for man of things attainable by action”, (Aristotle 1141:8-14).

Virtue ethicists claim the most importance virtue of all is the intellectual virtue of phronesis, or practical wisdom, which is required in order to find the right course of action when often more than one virtue is in conflict (Solomon, 1992). Equally, when an individual finds themselves experiencing cognitive dissonance between personal beliefs and those of the organisation, practical wisdom is required in order to encourage metacognition and reduce the likelihood of altering their position for the time benefit of decision-making, but to the detriment of societal beliefs. Practical wisdom derives from experience, sensitivity and the ability to reason practically and intuitively, which requires time to nurture (Beabout, 2012). There is a requirement for practical wisdom within identifying the right course of action and utilising the right virtues to do so. Practical wisdom, “unifies the virtues and a person of

phronesis possesses and realizes all of the virtues" (Aristotle, 1985, pp.1144). Aristotle claims phronesis is not a gift, but the will of a moral being who exists only with the totality of all the "ethical virtues," which in turn cannot exist without it. It goes beyond a notion of universal wisdom or intelligence (Gadamer,1986, pp19-20). Thus, the importance of acquiring and attaining practical wisdom is essential for practicing the virtues within organisations.

According to Ricoeur, "phronesis" refers to "practical wisdom" and more precisely, the path that the man of phronesis – "phronimos" - follows to guide his life (Ricoeur, 1992:174-175). The three characteristic features of phronesis according to Ricoeur consist of firstly, it would never negate the respect for humankind and is a reflection of this respect. Secondly, it seeks to amalgamate opposing claims in order to identify an optimum solution more suitable than either claim on its own, thus different to compromise. Lastly, it would avoid subjective or chance discussions and ensures meaningful debate is carried out by experienced and qualified advisers. Ricoeur's characteristic view of practical wisdom is an exchange of moral viewpoints, testing the context and issues surrounding them, whereby each person's view is held in great esteem and with respect (Ricoeur, 1992).

"Oneself as Another" (Ricoeur 1992)

When Ricoeur defines ethics, it is done in relation to the notion of action being an amplification of the notion of narrative. Building on Aristotelian ethics, Ricoeur set out to determine what the embodiment of the "good life" would look like in nature in terms of its directive principle or apparent purpose. In doing so Ricoeur identified that all ethical attachments sympathise with a notion of self, a phenomenology of the "You, too" and "like me", appreciating the other from a position of self and "oneself as another". Through extending this elucidation of the ethical aim from actions relating to relationships or communication between people, to those of an institution whereby the virtue of justice exemplifies the concern for others when identifying an ethical goal or aspiration. For Ricoeur, institutions are grounded in the configurations of how society is assembled, which expand beyond interpersonal arrangements and concerns itself with roles, accountabilities and benefits. "In just institutions, our ethical desire of the good life is lived with and for others." (Ricoeur, 1992).

There is an argument for further work in understanding the significance of interpreting the place for practical wisdom within organisational theory, applying Ricoeur's (1992) seventh study on the self and ethical aim. It would apply the connections identified between actions and self-reflection through the function of "narrative unity" and outline the possible execution of phronesis in practice through the art of complex deliberation within corporate governance

decision-making. Moreover, by focusing regulatory controls to consider the action-configurations of organisational strategic and operations plans and how these shifts per individual, societal, economic and political interests, narrative theory can be used to evaluate how these integrate to produce appropriate action (Ricoeur, 1992, pp.177-78).

Organisations representing the “Just Institutions” would ensure satisfactory debate is provided within governance structures to explore ethical aims from plural perspectives. This will help identify the weakness associated with the means-end argument outlined within Nicomachean Ethics, and question the appropriateness of consequentialist ethical decision-making used to define regulatory controls.

When considering the narrative used within the professions undertaking social, political and economical decision-making, a hermeneutic phenomenological approach is worth considering within the overall approach of regulation. This method, often rebuffed as a research method due to its lack of scientific application to text investigations, is concerned with going deeper in understanding “what kind of knowledge” and “what kind of truth” is required for practical ideal of phronesis (Gadamer, 1986, p53). It focusses on the entirety of a given situation, the internal narrative of man, the focus on man as a being and the knowledge man has on himself as an “active being, concerned with what is not always the same but can also be different. In it he can discover the point at which he has to act.” (Gadamer, 1986, p312). The purpose of practical wisdom is to govern the action of man whereby knowledge can be used to create moral action in situations where regulations can fail due to the lack of attention given to the individual actors, rather than the act or consequence.

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