

9 Virtuous Work and Organizational Culture

How Aristotelian Practical Wisdom can Humanize Business

*Javier Pinto, Ignacio Ferrero,
Germán Scalzo*

The Role of Practical Wisdom in Organizational Theory

In the last decades, Aristotelian virtue ethics has experienced a revival (Ferrero & Sison, 2014). We sustain that its application to organizational theory (Nonaka & Takeuchi, 2011, Solomon, 2004; Weaver, 2006) presents good opportunity for understanding practical knowledge of organizations effective to humanize business practices in a way that can overcome the rationalistic and mechanistic paradigm (Tsoukas & Cummings, 1997).

The mechanistic approach to organizational theory emphasizes quantifications of economic thought overshadowing character and virtues through universally applicable rules and algorithms (Statler & Roos, 2006). The approach results in management practices based on a depersonalized theory overlooking the importance of character. Predominant contemporary economic theories emphasize individual freedom exclusively understood as the opportunity to choose from available options and conceptualize individuals as profit-maximizing actors, neglecting, in turn, their freedom to reflect on the purposes and goals of their actions (Moosmayer et al., 2018). In addition, many authors suggest that management education based on this mechanistic approach has widely and uncritically assumed contracted pursuit of managerial technique looking at natural sciences to explain organizational behaviors (Bennis & O'Toole, 2005), at the expense of good judgment and moral responsibility (Morrell & Learmonth, 2015; Rocha & Ghoshal, 2006).

Modern mechanistic tendencies anchored in resource-based imperatives embedded in Human Resource Management are no longer effective (Tsoukas & Cummings, 1997). On the contrary, growing evidence shows negative effects on work engagement and levels of job satisfaction worldwide eroding fundamental principles of wellbeing in human centered organizations that are essential to achieve high organizational performance and productivity. The moral component of the social sciences is needed at the center of organizations. In this line, an Aristotelian approach to modern organizations reinforces the free spirit of people necessary to

advance human wellbeing, Human Centered Management and sustainable organizations in inclusive societies worldwide (Lepeley, 2017).

Aristotelian Virtue Ethics essentially implies that individual human excellence, that is, achievement of a virtuous and flourished life, goes hand in hand with the excellence of institutions and thriving societies (Sison & Ferrero, 2015) that promote the common good.

To Aristotle, practical wisdom (*phronesis*) is the virtue of practical knowledge (Statler, Roos, & Victor, 2007), which is put into practice in terms of deliberation (*boulesis*) and decision-making or execution (*prohairesis*) (Aristotle *Nicomachean Ethics* – hereafter *NE* – 1113a, 1140b). The importance of practical wisdom in decision-making is based on its application to the analysis of complex situations, identification of moral content and implications (Roca, 2008) and enhancing practice of a common good which endows organization's members with excellence.

Aristotelian practical wisdom is defined as doing the right thing given a set of particular circumstances, and effectively safeguarding the intended *good* relevant to a given situation through deliberative processes (Melé, 2010, 2012).

Introducing Aristotelian practical wisdom in organizations emphasizes their practical nature. Practical wisdom turns into a conceptual framework explaining organizational activity and development (De Bruin, 2013; Nonaka & Takeuchi, 2011) and supporting working policies (Moberg, 1999; Provis, 2010). Therefore, it contributes to improve understanding what organizations are *teleologically*, explaining the nature of communities being actively reality-oriented toward improvement and achieving higher purposes (*telos*) (Aristotle, *Politics*, 1252b). Following Aristotle, we sustain that the purpose of action is excellence. Therefore, organizations should aim toward excellence and engagement of people who work for it, if the intent is to support their personal development. In other words, organizational excellence is based on how excellent work is envisaged.

From the agent's perspective, orientation toward improvement is described as teleological (*telos*) and proper to every human form of organization or community (Aristotle, *Politics*, 1252a). Aristotle would have identified, *mutatis mutandis*, an organizational end (*telos*) as the final cause why organizations exist. Consequently, the end of any good organization cannot be defined in terms of survival alone (that is, in purely economic terms) but must also include a component of excellence, in addition to the productive and economic means (Koehn, 1995; González & Guillén, 2008). Hence, Aristotelian practical wisdom is driven by its aim to achieve and perfect people's skills and adhere to higher standards of personal excellence (Shotter & Tsoukas, 2014), and the same can be said of organizations in pursuit of excellence.

Practical wisdom, understood as good practical knowledge in action, refers to the habit of acting correctly and it includes the subjective

processes of perception and deliberation (Solomon, 1992). It requires integration of organizational reality, characterized by particular facts and circumstances, with the uniqueness of situations fostered by personal actions (Arjoon, 2008; Shotter & Tsoukas, 2014) and grasping the essence of a situation (Nonaka & Takeuchi, 2011), giving meaning and contextualizing specific conditions.

A person with practical wisdom displays skills and habits needed for optimal deliberation how to live a good life and applies practical wisdom to situations with reasoned capacity to act on things that are good and bad for human beings.

Practical wisdom may also be explained as habitual conformity between right thinking and right desire ultimately seen in practical reasoning (Koehn, 1995), i.e., harmony of rationality, emotions and intuitions in decision-making and action processes (Hartman, 2008).

Finally, practical wisdom refers to integrity of one's life – practices, roles, duties and responsibilities – (Solomon, 1992), continuity or identification between one's past and future (Koehn, 1995; Hartman, 2006) and achievement of happiness (Sison, 2014).

Actions carried out according to good practical judgment strengthened character (Koehn, 1995; Hartman, 1998; Solomon, 2003; Whetstone, 2005), and, in turn, is akin to repository of habits enabling people to act in an ethically and correct way (Sison & Ferrero, 2015). Therefore, in a practical approach to organizational activity, the human agent not only contributes to production but also to self-improvement through decision-making and action (Shotter & Tsoukas, 2014; Scalzo, 2018), that are essential to reach standards of excellence. This is, in fact, a key concept when defining the nature of a practical organization, an organization developed in accordance with the principles of Aristotelian practical wisdom in terms of proper organizational end (*telos*) aims fostering its members to personal excellence.

Virtuous Work and Ethical Culture

The different approaches to the nature of organizations and their *telos* imply different definitions of work, according to the organizations' approaches toward excellence or toward mere productivity (Sison & Ferrero, 2015). We claim that Aristotelian practical wisdom applied to organizational theory offers an original definition of work resulting in a conception of organization as a community of work. In this section, we show how this idea of work contributes to a virtuous organizational culture.

Aristotle describes work as an inherently human function, *ergon*, which may or may not be perfective, and characterized by excellence to such extent that it involves actions that are productive and supported by reason and therefore are ordered according to reason (Gomez-Lobo,

1989). However, not every form of work can be performed as *ergon*. Aristotle conceives of a potential disassociation between the unity of thought and action, when one worker carries out another's original idea and not the personal idea.

Industrialization as a form of mechanization led to productive processes based on repetitive tasks and mechanical movements, removing practical and perfective dimensions of productive tasks from employees in favor of increased productivity. It implies a definition of work as mere production and a concomitant faith in scientific laws and replicable techniques. It aims to ascertain the best method for work processes reconceived in terms of temporal machines and workers who are exclusively understood as instruments to be used for the operation of these machines (Breen, 2012). Consequently, as many authors have argued, it affects workers' ability to attain personal flourishing (Kanungo, 1992) because it reduces or hinders deliberation for the sake of production. In fact, employees that only follow operational protocols and focus on isolated contributions to a process are barred from using their practical wisdom and consequently they impair their personal development at work (Ferrero & Calderón, 2013). Organizations that promote this method are incompatible with a community of work aiming at excellence.

To Aristotle, excellent work is understood as a perfective action (Pinto-Garay, 2015) that implies personal deliberation using practical wisdom and valuing production not only based on material productivity but also and mainly on personal thriving and work excellence. Deliberation can be materialized as a form of shared and cooperative work in terms of decision-making (Schwartz & Sharpe, 2006) and shared-deliberation (MacIntyre, 2016) aimed to thriving of the community of work. When workers deliberate, they apply their practical wisdom in execution and production, therefore, they attain virtues implicit in the notion of self-realization, choosing a good end and directing production in accordance with those objectives (Murphy, 1993). The purpose of productive activities is performance aligned with the agent's personal or moral development, acquisition of knowledge, skills and habits as ultimate purpose of the most valuable output (Sison, Ferrero, & Guitián, 2016). This is a way to achieve personal excellence.

When personal excellence as an organizational end is achieved, the organization demonstrates good corporate character (Moore, 2005) and attains the common good that is embedded in the community, the organization and all its members.

Communities of Work and the Common Good

From an Aristotelian perspective, all economic and productive organizations must aim toward becoming a community of work (Solomon,

1992; Sison & Fontrodona, 2013), an organization that is productive for the benefit, excellence and virtue of those who work there. Indeed, when an organization's resources, economic-financial means, culture and policies are oriented toward its members' personal development, it is said that the organization works for *the common good* (Sison & Fontrodona, 2012; 2013).

The common good is a manifest for all communities' material, cultural and organizational aspects (Finnis, 1980). The organization's common good is wider than just the attainment of the material conditions necessary for undertaking a joint activity and the coordination of actions to ensure profit; in addition, and more importantly, the common good emerges from the contribution of the actions of each member and their personal development.

Organization achieve excellence in the form of common good when their members participate, engaged in collaborative and productive tasks contributing to personal and organizational development, fulfillment and flourishing (Pinto-Garay, 2015). In fact, participation in any community bears the historical development of norms and standards and possibilities that individuals, who participate in the community, can debate those norms and standards and can change them through a process of collective deliberation.

Solomon sustains that the Aristotelian understanding of the firm is to be part of a community and debating that the prevailing norms are inextricable links (Solomon, 1992). Participation and deliberation go together. Handy also explains that when promoting freedom and personal initiative effectively, managers need to avoid paternalistic approaches that monopolize procedures, activities and operations that deprive employees of choice, initiative and any other form of responsibility (Handy, 1999).

Following Aristotle, MacIntyre remarks that the end of informing about workers' activity is achieved through shared deliberation and decisions. Accordingly, it matters that people understand what they are doing and that their standards match their own not those imposed by managerial control because all shared the same direction toward the common good (MacIntyre, 2016).

The common good of the organization is a practice performed by the people who work in a corporation. Without a concept of virtuous work, the common good and excellence of the organization and the importance of practical knowledge cannot be integrated in the Aristotelian organizational theory.

An organization's common good is based on practical wisdom and materializes in the firm's policies and culture when based on common deliberation empowering employees (Spreitzer 2008), integrating ethics into organizational theory through policies affecting workers' participation (Wicks & Freeman, 1998). Good management policies entail

managers sharing power with employees, where power is understood as the possession of formal authority or control over organizational resources (Kanungo, 1992). Policies therein are formulated according to the following: (i) Managers and all those who work for the organization need to be engaged in organizational decision-making (Moriarty, 2009); (ii) engagement should be oriented toward organizational effectiveness in production; and (iii) employees need to have certain degree of autonomy without diminishing management's authority or disorganizing production (Conger & Kanungo, 1988).

This approach fosters employee engagement, productivity and commitment to the organization, all of which are certain to enhance the organization's overall effectiveness (Conger & Kanungo, 1988).

Beneath this description of organizational policies rests a definition of the organization as a community sharing what is good for every member and for the organizational development. Work based on practical wisdom implies seeking to be effective, efficient and virtuous at the same time. Consequently, virtuous work policies are justified if they positively influence the firm's productivity and competitiveness (Drake & Schlachter, 2008). In this sense, Nonaka, Toyama, & Hirata, (2008) argue that reformulating management theory based on Aristotelian ethics opens up a better understanding of action within organizations as integration of practical knowledge and production. If using practical wisdom does not help efficiency in production, its role in organizations is meaningless.

To sum up, based on Aristotelian practical wisdom, organizations are a community of work whose main goal (*telos*) is personal thriving for all community members through shared-deliberative work. Practical organizational theory is teleological and oriented toward fostering virtue in its members through decision-making opportunities during the productive process and, therefore, organization excellence is reflected as the organizational common good.

Conclusion

To overcome the rationalistic paradigm of organizational theory, we have considered Aristotelian practical wisdom as an opportune path toward developing a more comprehensive understanding of organizations. The concept of work excellence gives a more complete explanation of Aristotelian practical knowledge means in organizational theory. Aristotelian practical wisdom explains organizations deepening understanding and incorporating new features of personal work in organizational contexts.

Specifically, Aristotelian practical wisdom provides a conceptual framework to address key considerations of organizational theory: (i) provides a consistent description of what organizations are in terms of a

community of work, (ii) explains the nature of practical knowledge needed in organizations in terms of work as deliberative and participative in production processes. Aristotelian practical knowledge sustains a coherent organizational theory based on practical work with deeper consideration of practical organization defined as a community of work.

The nature of the practical organization finds its definition in the articulation of a common goal, the need for productivity and the search for personal excellence of all its members as the main source of excellent work. These features are integrated with practical wisdom as the keystone of every organization that seeks to thrive individually and collectively. The practical organization is by definition a community of deliberative production aimed at achieving its members' personal development through productive tasks.

If the organization reaches excellence, it is because its members have attained excellence as they act for the sake of corporate development in a cooperative fashion (Kennedy, 2006), providing goods and services efficiently and profitably (Melé, 2012) through productive activities that flourish encouraging the development of virtue in each member of the community (Sison & Fontrodona, 2012).

References

- Aristotle. (1995a). *Nicomachean ethics*. In J. Barnes (Eds.). *The Complete Works of Aristotle*. Princeton: Princeton University Press.
- Aristotle. (1995b). *The Politics*. In J. Barnes (Eds.). *The Complete Works of Aristotle*. Princeton: Princeton University Press.
- Arjoon, S. (2008). Reconciling situational social psychology with virtue ethics. *International Journal of Management Reviews*, 10(3), 221–243.
- Bennis, W. G., & O'Toole, J. (2005). How business schools lost their way. *Harvard Business Review*, 83(5), 96–104.
- Breen, K. (2012). Reason, production, and rival visions of working life. In R. Edmondson & K. Hülser (Eds.). *Politics of Practical Reasoning: Integrating Action, Discourse and Argument*. Lanham: Lexington Books.
- Conger, J. A., & Kanungo, R. N. (1988). The empowerment process: Integrating theory and practice. *Academy of Management Review*, 13(3), 471–482.
- De Bruin, B. (2013). Epistemic virtues in business. *Journal of Business Ethics*, 113(4), 583–595.
- Drake, M., & Schlachter, J. (2008). A virtue-ethics analysis of supply chain collaboration. *Journal of Business Ethics*, 82(4), 851–864.
- Ferrero, I., & Calderón, R. (2013). The ethical dimension of industrial mass production: The role of transitive motivation. *Journal of Markets and Morality*, 16(2), 529–541.
- Ferrero, I., & Sison, A. J. G. (2014). A quantitative analysis of authors, schools and themes in virtue ethics articles in business ethics and management journals 1980–2011. *Business Ethics: A European Review*, 23(4), 375–400.
- Finnis, J. (1980). *Natural Law and Natural Rights*. Oxford: Oxford University Press.

- González, T. F., & Guillén, M. (2008). Organizational commitment: A proposal for a wider ethical conceptualization of 'normative commitment'. *Journal of Business Ethics*, 78(3), 401–414.
- Gomez-Lobo, A. (1989). The ergon inference. *Phronesis*, 34(2), 170–184.
- Handy, C. (1999). Subsidiarity is the word for it. *Across the Board*, 36(6), 7–8.
- Hartman, E. M. (1998). The role of character in business ethics. *Business Ethics Quarterly*, 8(3), 547–559.
- Hartman, E. M. (2006). Can we teach character? An Aristotelian answer. *Academy of Management Learning and Education*, 5(1), 68–81.
- Hartman, E. M. (2008). Socratic questions and Aristotelian answers: A virtue-based approach to business ethics. *Journal of Business Ethics*, 78(3), 313–328.
- Kanungo, R. N. (1992). Alienation and empowerment: Some ethical imperatives in business. *Journal of Business Ethics*, 11(5-6), 413–422.
- Kennedy, R. G. (2006). Corporations, common goods, and human persons. *Ave Maria Law Review*, 4, 1.
- Koehn, D. (1995). A role of virtue ethics in the analysis of business practice. *Business Ethics Quarterly*, 5(3), 533–539.
- Lepeley, M. T. (2017). *Human Centered Management. The 5 Pillars of Organization Quality and Global Sustainability*. New York, NY: Routledge.
- MacIntyre, A. (2016). *Ethics in the Conflicts of Modernity: An Essay on Desire, Practical Reasoning, and Narrative*. UK: Cambridge University Press.
- Melé, D. (2010). Practical wisdom in managerial decision making. *Journal of Management Development*, 29(7/8), 637–645.
- Melé, D. (2012). The firm as a “community of persons”: A pillar of humanistic business ethos. *Journal of Business Ethics*, 106(1), 89–101.
- Moberg, D. J. (1999). The big five and organizational virtue. *Business Ethics Quarterly*, 9(2), 245–272.
- Moore, G. (2005). Corporate character: modern virtue ethics and the virtuous corporation. *Business Ethics Quarterly*, 15(4), 659–685.
- Moosmayer, D. C., Waddock, S., Wang, L., Hühn, M. P., Dierksmeier, C., & Gohl, C. 2018. *Leaving the road to Abilene: A pragmatic approach to addressing the normative paradox of responsible management education* *Journal of Business Ethics*, 4, 1–20.
- Morrell, K., & Learmonth, M. (2015). Against evidence-based management, for management learning. *Academy of Management Learning and Education*, 14(4), 520–533.
- Moriarty, J. (2009). Participation in the workplace: Are employees special?. *Journal of Business Ethics*, 93, 373–384.
- Murphy, J. B. (1993). *The Moral Economy of Labor: Aristotelian Themes in Economic Theory*. New Haven: Yale University Press.
- Nonaka, I., & Takeuchi, H. (2011). The wise leader. *Harvard Business Review*, 89(5), 58–67.
- Nonaka, I., Toyama, R., & Hirata, T. (2008). *Managing Flow: A Process Theory of the Knowledge-Based Firm*. New York: Palgrave Macmillan.
- Pinto-Garay, J. (2015). The concept of work in a common good theory of the firm. *Business and Professional Ethics Journal*, 34(1), 45–70.
- Provis, C. (2010). Virtuous decision making for business ethics. *Journal of Business Ethics*, 91(1), 3–16.

- Roca, E. (2008). Introducing practical wisdom in business schools. *Journal of Business Ethics*, 82(3), 607–620.
- Rocha, H. O., & Ghoshal, S. (2006). Beyond self-interest revisited. *Journal of Management Studies*, 43(3), 585–619.
- Scalzo, G. (2018). Virtues and the common good in production. In A. Sison, I. Ferrero, & G. Guitián (Eds.). *Virtuous Business for the Common Good* (82–98). London and New York: Routledge.
- Schwartz, B., & Sharpe, K. E. (2006). Practical wisdom: Aristotle meets positive psychology. *Journal of happiness studies*, 7(3), 377–395.
- Shotter, J., & Tsoukas, H. (2014). Performing phronesis: On the way to engaged judgment. *Management Learning*, 45(4), 377–396.
- Sison, A. J. G. (2014). *Happiness and Virtue Ethics in Business*. UK: Cambridge University Press.
- Sison, A. J. G., & Ferrero, I. (2015). How different is neo-Aristotelian virtue from positive organizational virtuousness?. *Business Ethics: A European Review*, 24, S78–S98.
- Sison, A. J. G., Ferrero, I., & Guitián, G. (2016). Human dignity and the dignity of work: Insights from Catholic social teaching. *Business Ethics Quarterly*, 26(4), 503–528.
- Sison, A. J. G., & Fontrodona, J. (2012). The common good of the firm in the Aristotelian-Thomistic tradition. *Business Ethics Quarterly*, 22(2), 211–246.
- Sison, A. J. G., & Fontrodona, J. (2013). Participating in the common good of the firm. *Journal of Business Ethics*, 113(4), 611–625.
- Solomon, R. C. (1992). Corporate roles, personal virtues: An Aristotelian approach to business ethics. *Business Ethics Quarterly*, 2(3), 317–339.
- Solomon, R. C. (2003). Victims of circumstances? A defense of virtue ethics in business. *Business Ethics Quarterly*, 13(1), 43–62.
- Solomon, R. C. (2004). Aristotle, ethics and business organizations. *Organization Studies*, 25(6), 1021–1043.
- Spreitzer, G. M. (2008). Taking stock: A review of more than twenty years of research on empowerment at work. In J. Barling & C. Cooper (Eds.). *The Sage Handbook of Organizational Behavior. Volume one: Micro perspectives: 54–72*. London: Sage Publications.
- Statler, M., & Roos, J. (2006). Reframing strategic preparedness: An essay on practical wisdom. *International Journal of Management Concepts and Philosophy*, 2(2), 99–117.
- Statler, M., Roos, J., & Victor, B. (2007). Dear prudence: An essay on practical wisdom in strategy making. *Social Epistemology*, 21(2), 151–167.
- Tsoukas, H., & Cummings, S. (1997). Marginalization and recovery: The emergence of Aristotelian themes in organization studies. *Organization Studies*, 18(4), 655–683.
- Weaver, G. R. (2006). Virtue in organizations: Moral identity as a foundation for moral agency. *Organization Studies*, 27(3), 341–368.
- Whetstone, J. T. (2005). A framework for organizational virtue: The inter-relationship of mission, culture and leadership. *Business Ethics: A European Review*, 14(4), 367–378.
- Wicks, A. C., & Freeman, R. E. (1998). Organization studies and the new pragmatism: Positivism, anti-positivism, and the search for ethics. *Organization Science*, 9(2), 123–140.