



# The Moral Psychology of Practical Wisdom for Business and Management

Kleio Akrivou, Germán Scalzo, and José Víctor Orón

## Contents

Introduction: A Reawakening of Practical Wisdom in Business .....	2
Practical Wisdom and Moral Psychology .....	3
Looking for the Appropriate Moral Psychology for Practical Wisdom .....	4
A “Modernist” Approach to Moral Psychology: The “Autonomous Self” .....	6
An Appropriate Moral Psychology for Practical Wisdom: The “Inter-processual Self” .....	8
Implications for Business and Virtuous Management .....	9
Conclusions .....	12
References .....	13

## Abstract

Practical wisdom has increasingly gained scholarly attention in the realm of business and management, in correspondence with the revitalization of virtue ethics in the twentieth century. This resurgence is largely due to Elizabeth Anscombe’s work in which the Aristotelian tradition – the main approach in the history of Western philosophical literature – is prominent. Although Anscombe (Philosophy 33(124):1–19, 1958) called attention to the lack of an appropriate moral psychology for a virtue-centered moral philosophy, this issue has largely been ignored. After briefly reviewing moral psychology’s current approach to practical wisdom, this chapter presents two conflicting paradigms, the autonomous self (AS) and the inter-processual self (IPS), according to the assumptions

---

K. Akrivou (✉)

Henley Business School, University of Reading, Reading, UK

e-mail: [k.akrivou@henley.ac.uk](mailto:k.akrivou@henley.ac.uk)

G. Scalzo

Universidad Panamericana, Ciudad de México, Mexico

J. V. Orón

Centro SLAM Educación, Slam University, Madrid, Spain

e-mail: [josevictororon@gmail.com](mailto:josevictororon@gmail.com)

© Springer Nature Switzerland AG 2020

B. Schwartz et al. (eds.), *Handbook of Practical Wisdom in Business and Management*,  
International Handbooks in Business Ethics,

[https://doi.org/10.1007/978-3-030-00140-7\\_15-1](https://doi.org/10.1007/978-3-030-00140-7_15-1)

they make about the self, human agency, and action more broadly, as well as their corresponding moral psychologies. Finally, it shows that while the mainstream approaches to management and organization theory rely on an AS conception of human action, an IPS mindset better explains a notion of practical wisdom in accordance with the promotion of human flourishing and the common good.

---

### Keywords

Moral psychology · Practical wisdom · Virtue ethics · Autonomous self · Inter-processual self

---

## Introduction: A Reawakening of Practical Wisdom in Business

Of late and from a wide range of disciplines – including philosophy, theology, and psychology – “‘practical wisdom’ (prudence) has enjoyed a remarkable renaissance by authors recommending it as an antidote and a transformative paradigm for management theory and practice” (Bachmann et al. 2017, p. 147). Likewise, a virtue ethics approach has increasingly gained scholarly attention in business and organization studies (Cf. Ferrero and Sison 2014 for a complete literature review; see also Koehn 1995, Tsoukas and Cummings 1997, Grint 2007, and Arjoon 2008) together with a reinforcement of the importance of moral character for leadership and decision-making in management (Roca 2008; Moberg 2006, 2008; Hartman 2006; Bhuyan 2007; Provis 2010; Nonaka and Takeuchi 2011).

However, this topic is far from new; the philosophical pursuit of a certain idea of “wisdom” has always flourished across time and cultures, among which Aristotelian ethics stands out. Indeed, Aristotelian ethics (Aristotle 2002: NE 1103b) emphasizes the voluntariness of action, premised upon a proper human function – *ergon* – and a teleological understanding of action (Kamtekar 2013, p. 29). It is precisely the *telos* that displays the agent’s rational/ethical character, i.e., to apply reason well implies an excellence premised upon virtue that enables excellence in living and doing well (Aristotle 2002: NE 1095a, NE 1098a). For Aristotle, exercising reason well rightly fulfills this function through human activities – *energeia* – in accordance with reason (Sison 2015, p. 242). There are, however, three types of human activity: contemplation (*theōria*), action (*praxis*), and production (*poiēsis*) (Aristotle 2002: NE 1178b20). “Each of these activities is governed by a distinct form of rational excellence (*arête*): contemplation is governed by theoretical reason (*sophia*); action is governed by moral [practical] reason (*phronēsis*); and production is governed by technical reason (*technē*)” (Murphy 1993, p. 87).

Practical wisdom (*phronēsis*) is therefore the form of excellence that reason can acquire concerned with action (practice) to develop toward the highest *telos* (*eudaimonia*, usually translated as human flourishing). *Phronesis*, if correctly practiced, perfects reason and orients reason toward the good; it emanates from the moral character of the actor while displayed and improved through its exercise. Merely superficial external displays of practical wisdom are called *panourgia* – “craftiness,”

“cunning,” or “astuteness” (Aristotle 2002: NE: 1144a; Sison and Hühn 2018, pp. 167–168); instead, *phronēsis* is premised upon a morally mature, virtuous character and depends on the agent and her circumstances in light of her whole life (Russell 2013, p. 2). Through a virtue ethics perspective, practical wisdom is not mere (clever) action in compliance with rules and norms, but rather “being a certain kind of person . . . [a] person of virtue” (Zwolinski and Schmidtz 2013, p. 221). Prudence’s ethical component involves practically making good use of deliberation in human action; it is concerned with how to act in specific instances and relationships to live well as a human being (Sison and Hühn 2018, p. 166).

The conceptual density of prudence and its association with true virtue highlight the importance of ongoing research toward its appropriate moral psychology.

---

## Practical Wisdom and Moral Psychology

In order to fully understand practical wisdom, we need to approach it from a psychological stance that genuinely complements its nuanced philosophical perspective (Anscombe 1958; Sison and Hühn 2018, pp. 166–168). There have been theoretical attempts in this direction (Sternberg 1990), as well as empirical ones, that reveal how difficult it is for moral psychology to conceptualize *phronesis* in line with Aristotle’s philosophical assumption concerning the unity of knowing and acting. This research correctly understands that practical wisdom should encompass “self-knowledge” and action that involves wisdom or *sophia* (Trowbridge 2011, p. 155). It sparked further research on definitions of practical wisdom (Trowbridge 2011) with a focus on integration of intellectual and action components of agency (Baltes and Staudinger 2000). And, as a result, most empirical research on moral psychology regarding practical wisdom has focused on different ways of capturing the knowledge component of wisdom (Moberg 2006, p. 545; Baltes and Smith 1990) on the premise that “[w]isdom is knowledge associated with the human condition, life, and beyond what is knowable” (Staudinger 2008, p. 108).

These efforts have basically led to two major branches, namely, *implicit and explicit theories of wisdom* (Baltes and Staudinger 2000; Sternberg 1990).

Implicit theoretical approaches to wisdom seek an account of what people understand for wisdom, no matter if these beliefs are right or wrong (Sternberg 1998, p. 348). (Its main representative is the balance theory of wisdom (Sternberg 1998), but other representatives include Clayton and Birren, Holliday and Chandler, Orwoll and Perlmutter, and Sowarka. See Alamar and Pauleen (2016) and Sternberg (1998, pp. 348–349).) They tend to judge what they consider to be wise persons based on their ability to offer a wise solution in their context, balancing their intrapersonal, interpersonal, and extra-personal interests in the short and long term (Sternberg 2004, p. 167).

On the other hand, explicit psychological theories are theoretical constructions from experts and researchers based on the psychology of human development rather than people’s folk conceptions of wisdom’s content (Sternberg 1998, p. 349). They focus on behavioral manifestations, and so rely on empirical and quantifiable research. The psychological work of the Berlin School (Baltes and Staudinger

2000), which offers a formal common theory of wisdom, has become the most influential of this branch, and it covers tacit knowledge on how to deal with fundamentals of life involving knowing and inquiry (Baltes and Staudinger 2000) reflected in five components, namely, rich factual knowledge, rich procedural knowledge, life-span contextualism, relativism, and uncertainty (Sternberg 1998, p. 349). (Other theories here span dominant personality research work (e.g., Bandura 1989; Deci and Ryan 2013; McAdams and St Aubin 1998; Ryan and Lynch 1989; Ryan and Deci 2006), post-modern constructivism (Gergen 1999, 2011), and neo-Piagetian traditions of adult development theory (Alexander and Langer 1990; Cook-Greuter 1999; Kegan 1994; Loevinger 1966, 1976) with an emphasis on post-formal cognitivist dialectical thought.) Alammam and Pauleen (2016) identify a third school of thought that explores the correlation between personal traits – such as gender, age, occupation, etc. – and wisdom, i.e., identifying wisdom as a property of the person that integrates cognitive, reflective, and affective characteristics (Alammam and Pauleen 2016, p. 551).

However, regarding the psychological literature's endeavors, a reductionist conception of human virtue – “[as] behavioral dispositions to act in conformity with certain rules of action” (Alzola 2015, p. 295), which mainly applies the modernist approach – cannot fully express the richness of the human person and, as a consequence, her true development. “‘Wisdom’ would then refer to no more than a technical knowledge of how things work, it claims exhausted by purely pragmatic modes of evaluation” (Trowbridge 2011, p. 158). Moreover, the fact is that the limitations of modern psychology for properly understanding practical wisdom cannot be overcome by avoiding the ontological question of what it is to be human.

In addition, there is a third limitation to the above-reviewed research. Continuing research on the appropriate moral psychology is important for exploring how to capture the nuanced, dense, and essential complex relationist lens that *phronetic* action entails. This requires us to focus on theory, empirical measure creation, and evidence, all of which go beyond action linked to an independent, autonomous agent, and, in this case, practical “wisdom may be beyond what psychological methods and concepts can achieve” (Baltes and Staudinger 2000, p. 123).

---

## Looking for the Appropriate Moral Psychology for Practical Wisdom

To address the need to advance research that overcomes these limitations and adds new theory on a moral psychology for practical wisdom, a novel approach to the self and action is of significant interest and can be found in the so-called inter-processual self (IPS) paradigm (Akrivou et al. 2018). It is an attempt to ground a moral psychology beyond the analytic and modernist thought assumptions and go beyond a reductionist view of the self. Most mainstream psychological theories associated with practical wisdom adopt such a modernist view of the self and agency, for example, the rich tradition of explicit theories of wisdom (Moberg 2006, p. 545).

There is strong consensus among theorists across cultures and philosophical schools that the theory on the self and action is still inconclusive (Taylor 1989; Sorabji 2006). Moreover, the modern understanding of the self avoids the ontological question of what it is to be a person and, more broadly, to be human. New ontological coverage of this matter is at the core of the inter-processual self theory herein examined. For this, we rely on the Neo-Aristotelian Spanish philosopher Leonardo Polo (2012, p. 281), who synthesized the key ontological concerns in the history of philosophy regarding **being human** and proposed three main fundamental roots:

1. A rootedness in “nature,” which captures classical philosophy and Aristotle’s (Aristotle 2002: NE 1177) basic proposal (we are constituted by our shared and distinct biological, cultural, and traditional sources)
2. The modern “subject-agent” fundamental, which expresses modernity’s emphasis on the human drive to create novelty and to master the wider human and non-human environment via rationalistic agency, with a focus on results
3. The predicament involved in the fundamental of “personhood,” which emphasizes both personal singularity and uniqueness and that at the heart of being and growing, *relation* is primal to self and personal-social virtuous growth (Alford 2018)

Although this research has not systematically reviewed all theories of wisdom in psychology, evidence from the meta-analyses of empirical research (especially in the explicit theories of wisdom, e.g., Moberg 2006, p. 545; Baltes and Smith 1990) may classify such work within what we have called an *autonomous self* (AS) paradigm. (This is done via other chapters of this handbook.) According to AS, wise action is mainly premised upon the self and agency’s knowledge mastery component, which is more aligned with the modern fundamental in Polo. This moral psychology avoids the complexity and richness of the human person and, therefore, practical wisdom itself.

A more complete and unified understanding of the human person and the ontological roots of being human guides the moral psychology proposal, the so-called *inter-processual self* (Akrivou et al. 2018). The term “inter-processual” is used because being a “person” implies that uniqueness is processually and intentionally evolving *in relation to* others. This proposal therefore is an attempt to encompass the Neo-Aristotelian tradition, integrating it with the ontological proposal of “personhood” (*third fundamental* in Polo’s work) to highlight that the final end of human life is personal growth in our relations. This proposal is an attempt to take virtue beyond an individualist approach by binding together uniqueness and personal relation in ontological terms as two fundamental aspects of personhood.

By concentrating on the psychological aspect of moral agency, we start by showing that, in the aforementioned two contrasting categories (paradigms) of moral psychology, the so-called autonomous self (AS) leads to a narrow and rationalist conception of morality that reduces the ontology of what it is to be human into being a subject-agent. In AS, practical wisdom is associated with a quest for

cleverness and external manifestations of practical wisdom, while ethical concerns for action and means-ends choices are not systematically present. Finally, AS's moral psychology produces a kind of practical wisdom that lacks an emotional and affective quality, as well as concern about action that enables goodness for others, relational sensitivity, and humanity (Akrivou et al. 2018). Moreover, AS is concerned with the external manifestation of practical wisdom, not whole-person transformation in her (growing) relations. In the following section, we will provide further characterization of these two moral psychologies.

---

## **A “Modernist” Approach to Moral Psychology: The “Autonomous Self”**

This view of moral maturity (AS) suggests an emphasis on a model of action premised upon cognitive distance, which requires the notion of control. Across all models classified as AS, there is a basic assumption that a sharp and *unbridgeable dualism or antithesis* (naturally) separates cognitive-rationalistic mental aspects of the self from affective ones and that this cognitive “mastery” (the subject-agent’s manifestation of control over what is understood as the object world) is subsequently mirrored in action. In addition, ethical aspects of action are understood as aspirational ideals to be developed at the end of what this theory understands as “higher” or “upper end” developmental processes. Hence, a modernist AS conception of the self and action sees cognitive, practical, relational/affective, and moral aspects of a mature (virtuous) person as naturally part of distinct realities (Akrivou and Orón 2016; Orón 2016). In what it sees as the morally mature self and action, AS idealizes the adoption of clever action that complies, nonetheless, with normative moral universals to ensure it is morally mature (e.g., Kohlberg 1969; associated theories emphasize cognitive mastery over affective-intuitive aspects of maturation in the self as a prerequisite for AS). (The cognitive research and social cognition theory is an important and influential piece of modern theory that supports key AS assumptions, including the idea of dualistic cognitive processing (Evans 2008). Specifically, these scholars suggest that humans have a dual-process cognitive architecture, whereby two distinct and mutually exclusive cognitive processing systems exist in the architecture of cognition, and that originate in evolutionary history. Based on this, the modern tradition in psychology sees antagonism between two systems of cognitive processing, one a purely socio-emotional-intuitive cognition – or system 1 – and another based upon pure analytical reasoning – or system 2 (Evans 2008).) Theories with AS at their basis presuppose an affirmation of some (cognitive) distance between the self and the object world and center on conflating an instrumental and normative answer to the question of how this self should relate to the world, i.e., via mastery of relations. Hence, relationships are considered important as a means for achieving individual goals (to “be mastered”).

Over time, this model evolved to a more dynamic proposal that we call the processual self (PS) (Akrivou et al. 2018). It is premised upon the acting subject’s increased independent capacity for autonomous agency via either cognitive mastery

or a more emergent, spontaneous, and affective response capacity. PS unsuccessfully tries to overcome AS's limitations because it is still, in the end, premised upon cognitive mastery and the idea that there are dualism and separation between the rational mind and intuitive and affective cognition (supported by dominant neuroscientific proposals).

Through the different theories reviewed and classified in the (AS) paradigm (Akrivou et al. 2018), the self relates to itself and growth via cognitive regulation of the self-system that involves a primal concern for "clever" (in cognitive terms) operation of reason, which requires heavy reliance on self-management and self-regulation of emotions, behavior, and of course cognitive mastery to ensure practically effective external outcomes through agency. This agency mainly captures the cognitive dimensions of practical wisdom and, although it includes the regulation and mastery of relational-practical and affective aspects of the self, they are dominated by cognitive mastery and are not effectively integrated and acknowledged as part of human uniqueness, leaving aside the full complexity of being human. These models assume that genuine concern for the "ethical" and virtuous life comes at the end of the developmental process and is mainly based on *cognitive* complexity (Akrivou 2013). Indeed, integrative growth (the achievement of a morally mature and virtuous self) in AS emerges as maturity toward the end of autonomous moral cognitive growth (Akrivou et al. 2018). This moral psychology separates reality both in the self and across different aspects of a phenomenon (Orón et al. 2019) or system involved, which creates myopic and fragmented practical wisdom. It is also premised upon separating ethics from agency; thus, *phronetic* action with concern for wider systemic flourishing emerges toward later stages of personal maturation and is usually centered on the self.

Subjectivism is another key premise in AS, and the agent's approach to what is "right" improves through increased cognitive progression according to some (external) rule (Akrivou and Orón 2016; Orón 2016). This relies on "reducing" dense and complex life situations so they can be cognitively "mastered" via mental models. In the moral psychology of AS, integrating the agent's actions in light of his/her whole life (Zwolinski and Schmidt 2013) is more important than an abstract conception of "the good" since whereas "rightness is about what we're doing; virtue is also about how we're living" (Russell 2013, p. 2). AS's concern for "rightness" ensures an intelligent use of rationality for bringing about desired ("willed") outcomes via the subject's will to author the world. Thus, AS displays an efficient, intelligent, clever, crafty form of rational excellence, which can be mistakenly considered prudence (because it involves rational choices between means and ends by a third-party observer). Generally, this moral psychology aims toward prudential action, which appears good and is right in cognitive terms; however, inner and genuine commitment to virtuous self and others' growth either lacks entirely or is not a prime concern of agency. This clever, but narrower, practical wisdom is limited and is not systematically aimed to the *telos* of flourishing.

Ultimately, AS models of moral psychology cannot capture the complexity found in human lives and reality, including the cognitive, practical, relational, affective, and moral aspects of practical wisdom. It only considers the ethical dimension of action relevant at the end of growth.



## An Appropriate Moral Psychology for Practical Wisdom: The “Inter-processual Self”

On the other hand, the moral psychology of the inter-processual self is more robust. Grounded in Polo’s three fundamentals (2012), with *primacy on the “personal” fundamental* (Akrivou et al. 2018), it acknowledges our humanity and frees up possibilities for human development. It is premised upon the complicated notion of personhood involved in Polo’s (1998, 2003) transcendental philosophical anthropology. In the moral psychology of IPS, the human being is **a person**, which means that she is not exhausted in her presence as such and that she also co-exists in growth in open dynamic relationships. This notion of self has as a basic assumption that the self is a complicated (integrated) unity beyond what consciousness can “scientifically grasp.” “My person is not the consciousness . . . of it” (Mounier 1936, p. 51). The key here is that being a person means our “being-related” is ontologically core to our very being (Alford 2018, p. 700). In other words, IPS values the personalist way whereby every human being maintains their uniqueness and internal quality of relating with an-other/others; personal growth is not possible unless it happens through improving the quality of the person **in** personal relations. The assumption of being intrinsically related to others elevates our responsibility for both our own and others’ growth and happiness. In IPS, the most fundamental form of freedom corresponds to freedom *for* engaging in the *I-Thou* relationship (Akrivou and Orón 2016; Polo 2007) via a different set of starting assumptions with profound implications for the conceptualization of practical wisdom.

This moral psychology starts with a pre-existing self that grows *in* relationship. **Persons in relations** are understood in the context of an *open and free system theory* (Polo in Pérez López 1993; Polo 2007). Action is personal, but always associated with personal offering (of a person to (an)other with whom one chooses how to relate, guided by freedom *for*). IPS also assumes that the person is not a boundary and it *also understands that being, knowing and acting are interrelated domains* (Akrivou and Orón 2016) *because it is based on a non-representational theory of knowledge and action* (Frisina 2002; see Akrivou et al. 2018).

Personal development is always part of an effort for virtuous growth; hence, an ethical dimension is integral to IPS’s human development conception; while persons develop in relation to, all human organisms strive to intensify and enhance their relationship to others, which is the process that characterizes (personal, social) development (Akrivou et al. 2018). Development in IPS is a dynamic and unrestricted process: *The notion of “openness” in the case of human beings is expressed through intimacy in relationships* (Polo 2007, p. 123). This is an increasingly more personal process; the more all persons involved continue to commit, the more personal growth is unrestricted (Polo 1997, 1998, 2003). Polo’s idea of growth embraced in IPS’s moral psychology can orient the (classical/Aristotelian) fundamental of nature toward development that transcends one’s natural disposition and orients goodness in relation to overall personal growth.

As inferred from above, the IPS paradigm, and thus human development (virtue), is not a predetermined process, nor is the “practical” rationality involved simplistic.



The moral actor in IPS does not enact reason from the distance of an autonomous self with the aim of mastering the object world, but rather aims to improve the quality of relationships, by “receiving and accepting” the other as a concrete reality. This moral psychology not just requires engaging the reductionist cognitive aspect of reason in terms of how to practically reach good outcomes but also requires integrating emotional and motivational aspects. The moral actor in IPS is directly concerned with the practical uses of reason, but reason is understood in a broader (richer and more nuanced) perspective which requires an understanding of others not only in cognitive terms, but with an affective ethic at the core. This is in line with Aristotelian practical wisdom, since “[p]ractical wisdom requires the accurate discernment of the emotional climate on a particular matter and the ability to draw from a complete spectrum of emotional responses to craft one that both brings about good outcomes and is good itself” (Moberg 2006, p. 542). Hence, in IPS, the moral actor takes her time and carefully acts to fathom the dense and complicated aspects of life and relations involved in the true nature of practical wisdom. This commitment entails higher levels of vulnerability and is hard to “see” from an external observer viewpoint.

The exercise of practical wisdom in the moral psychology of IPS entails the notion of circularity (in terms of the logic of IPS, which is in sharp contrast to the circularity of fully autonomous selves who exercise third-party observer logic). Complicated philosophical systems such as the works of Wang (1963) and Whitehead (1978) more deeply analyze IPS-like complexity and associated practical wisdom.

In short, an appropriate moral psychology for practical wisdom emerges and corresponds to the inter-processual self, which is premised upon the idea that *ethical aspects of self and agency, which are integral and inseparable from the notion of being, are core to any/all human action*. It is clear that, based on a *non-representational theory of knowledge and action* (Frisina 2002), *this moral proposal understands that being, knowing and acting are inseparable domains* (Akrivou and Orón 2016). IPS rejects the fundamental assumption of the inner self as boundary – that modern and behaviorist psychology assumes in often reductionist ways – as much as it rejects the notion of fragmented dualistic models of human cognition. Thus, being (acting as) a morally good person is in congruence with Aristotle’s conception of the moral actor (Aristotle 2002: NE 1102).

---

## Implications for Business and Virtuous Management

In much of the history of management, the focus of the firm’s growth and prosperity was oriented to primarily producing increasing value for shareholders and customers, whereas the flourishing of other groups inside or outside the firm who partake in the common good has been understood as a secondary matter or a competing way to profit maximization. This has marked the understanding of the role of management to date. Within this context, management philosophy and theory relevant to the firm’s administration and management evolved rapidly in the

twentieth century as there was a need to apply some conception of management to increase the effectiveness and efficiency of firms and organizations in the rapidly growing and increasingly liberal and internationalized twentieth-century economy.

Only recently have the above philosophical conceptions of the firm and management been challenged by Neo-Aristotelian scholars who developed theory on the firm's purpose and the common good and how a new conception can embrace virtue ethics and Aristotelian concepts (Alford et al. 1995; Melé 2009; Fontrodona and Sison 2006; Sison 2016; Sison and Fontrodona 2012, 2013).

The relationship between the business firm and how it is led by its management is not a given or objectively defined one. Rather, it depends on how this relationship is understood and lived: *how the firm ought to be led and managed* can be influenced by the philosophical paradigm in mind regarding the self and action. We suggest that AS is compatible with the mainstream approach characterized in agency theory (Eisenhardt 1989; Jensen and Meckling 1979) built on moral rule followership and consequentialist ethics assumptions, whereas IPS is more congruent with the theory of the common good of the firm (Sison and Fontrodona 2012; Sison 2016) and virtue ethics.

The account of the firm inspired by neoclassical economic theory assumes that the firm is a legal entity, a quasi-moral agent that acts within a market economy as a rational profit seeker, aiming to satisfy the needs of its primary stakeholders, i.e., the firm's shareholders (Jensen and Meckling 1979; Coase 1991). Hence, the theory of the firm rooted in neoclassical economics understands that management has to rely on a leadership style and teams that can actively pursue the satisfaction of shareholders' needs as their primary duty (Coase 1991), which is seen separately and in opposition to other duties linked to the real needs of all the other groups. Customers' satisfaction is also seen as a primary concern as value-driven profitability from ongoing and increasing sales/service is seen as an instrumental enabler of the shareholder model of firms.

In this context, managers are seen as agents whose role is to satisfy the needs and interests of shareholders/principals via effective mastery of key resources. Meanwhile, the firm's human/social fabric is perceived as a nexus of contracts: the firm defines its relationship with its human "resources," which the firm is seen to "possess" via the power of labor contracts (Hendry 2001). Accordingly, this agency theory was enshrined as the predominant theory when it comes to understanding management of firms tied to the role of professional managers. Understanding managers/leaders as agents positions them as mainly rational maximizers of their own self-interest and automatically implies distrust of managerial judgment unless institutional arrangements are effectively designed to help align management's self-interest with that of the firm (roughly translated into the interests of shareholders-principals). In addition, neoclassical economic theory promotes a leadership style that equates to effective management based on technocratic, value-neutral, and rational behavior or instrumental amorality (Deetz 1992), and the use of psychosocial and behavioral skills is seen as equipping the managers as trained professionals for this role without transforming managerial ethos or mindset (Pérez López 1993). This embraces a professional ethic and mindset which contributes to

normalize the ideal of an amoral or bi-moral ethic in business practice and which is the source of modern business and managers' moral failure (Hendry 2004) and has partly contributed to how business schools operate and the decline of management education's purpose (Khurana 2010).

A more realistic and comprehensive theory of the firm requires more critical assumptions of how capitalist firms should operate to advance the broader common good, rather than to simply maximize their own financial performance often at the expense of the broader good (MacIntyre 2007). MacIntyre suggests that the firm and business more broadly "is at variance with central features of the modern economic order" (MacIntyre 2007, p. 254). To moderate this pessimistic critique, businesses are alternatively thought of as another form of human community (Solomon 1994; Melé 2012), albeit an imperfect one, which requires the possibility of linking the common good of the firm and the broader common good at a higher level of political-social organization (Sison and Fontrodona 2012, 2013).

There is an alternative approach that views businesses as "communities of persons," the so-called common good theory of the firm, rooted in Aristotelian virtue ethics. Its presuppositions indeed offer an alternative ontology of the firm whereby – in a strikingly different view from neoclassical-based conceptions of firms and governance – the role of leadership in management restores the importance of virtue tied to the human person's superior character, reinstating the precondition of an ethical-cultural foundation of the firm as an end in itself in the pursuit of virtuous management.

The common good theory of the firm is thus an alternative way of understanding the social and ethical bases of the economy and the business firm based on Aristotelian and Thomistic conceptions of human and social nature (Sison 2016; Alford et al. 1995). MacIntyre offers a definition: "The common goods of those at work together are achieved in producing goods and services that contribute to the life of the community and in becoming excellent at producing them" (2016, p. 170). This theory, which establishes material and financial interests and goals beyond striving to maximize profits for shareholders, sets normative requirements for corporations at the service of their members' material and moral personal development, with employees as a key group, along with external communities and stakeholders (Doh and Stumpf 2005; Maak and Pless 2006; Maak 2007).

These two competing theories of the firm rely on strikingly contrasting assumptions about human agency, which gives rise to competing understandings of what good leadership is in the context of management. The juxtaposed ideas underlying AS and IPS lead to quite contrasting ways of understanding and living personal integrity (Akrivou et al. 2020) and how this is associated to contrasting philosophies of management and the firm, applied in the context of what is really required of persons in leading roles in businesses and other institutions in order to act well in the support of the common good. There is, furthermore, a clear conceptual correspondence between these two kinds of self-integrity (AS vs. IPS) and the two competing theories of the firm and good management presented.

Clearly AS self-integrity's related moral agency ensures dutiful action, as well as sound moral, financial, and general management practices, and may in the short term

be effective for the firm's good without significantly hindering the common good. AS moral agency succeeds in managing the common good of the firm strategically, based on leaders' judgment of how stakeholder satisfaction can be aligned with the needs of the shareholders as the latter are thought of in terms of primary duties. The management of AS ensures clever forms of practical wisdom which enable efficiency-driven alignment between means and ends. There are thus clear limitations to the sustainability of the way in which AS integrity embraces the needs of other groups and persons in the internal and the external firm environment.

Instead, IPS integrity can be said to understand the role of leadership in management as beyond the assumptions of management in the principal-agent theory (Eisenhardt 1989; Jensen and Meckling 1979) which think of short-term efficiency, via clever forms of rationality. IPS leadership aims to build spaces for genuinely well-intended, full-hearted, and authentic participation respecting others and context (Koehn 1998). Thus, this contrasting paradigm of management is more in line with the common good theory of the firm (Sison 2016; Sison and Fontrodona 2012). Therefore, the proposal to inform the ethos and practice of management and business from within a new IPS mindset bears an immensely transformative potentiality to reinvent business and management and professional practice without the need to radically change the current legal form of business.

---

## Conclusions

We started this chapter with the need to look at practical wisdom through a psychological lens that genuinely complements its nuanced philosophical perspective (Anscombe 1958; Sison and Hühn 2018, pp. 166–168). Although we acknowledged current theoretical and empirical attempts in this direction, we highlighted the difficulty involved in conceptualizing a moral psychology that corresponds to the Aristotelian notion of practical wisdom – *phronesis* – in part due to the reductionist conception of human virtue in the associated psychological literature. As a consequence, it tends to confound practical wisdom with mere cleverness – *panourgia*.

Modern psychology's avoidance of the ontological question of what it is to be human is an insurmountable limitation for properly understanding practical wisdom, and, in light of it, we propose two theoretical constructs based on previous research that consolidate several proposals across a diverse disciplinary orientation – mainly philosophy, psychology, and neuroscience (Akrivou et al. 2018) – for conceiving of the self and human development. We named these paradigms the “autonomous self” (AS), based on analytic and modernist assumptions with a reductionist vision of the self, and the “inter-processual self” (IPS) that complements Aristotelian insights on human nature with the invaluable richness of the human person, capturing the cognitive, practical, relational/affective aspects of self as interrelated integrally tied aspects of the same phenomenon.

We purport here that practical wisdom demands that we overcome the modernist approach summarized in the AS paradigm, and, as a result, with the IPS model, which offers an appropriate moral psychology that enables human flourishing and

true practical wisdom. AS's practical wisdom clearly does not satisfy conditions of the firm's common good and its role in the economy and society (Sison 2016); it excessively regulates and (risk) manages persons and groups who are not seen as primal, which veers toward individual protection above building prudential wisdom that transcends one's self-interest (Scalzo and Alford 2016).

In contrast, IPS is premised upon a notion of management and practical wisdom which is exercised and practiced as part of a personalist-systemic relatedness process, which seeks genuine ethical engagement of all involved and growth via interpersonal relations. The choices that emanate from how IPS inspires management genuinely aim to genuine flourishing for all via the building of moral capital and trust across time, avoiding fake clever uses of practical reason. The integrity associated with the practical wisdom akin to IPS in the practice of management avoids for managers to remain autonomous and rational agents. By prioritizing the inclusion of various voices, needs, perspectives, and value systems (expressed and respected directly as felt by those involved), this management model aims to engage all parties in a genuine habit of moral deliberation whereby ethics is an ongoing practice by all.

IPS is therefore a more systemic, relational, and pragmatic understanding of what is involved in being a manager leading for the common good in all roles across the hierarchy to generate moral capital (Kane 2001; Sison 2003). IPS amply satisfies the concerns associated with virtue ethics and the theory of the common good of the firm, and its practical wisdom does not prioritize the maximization of shareholders' economic and profit-related interests but works to enable the flourishing of all involved via scaffolding personal and relational ethical growth.

---

## References

- Akrivou, K. (2013). Moral reasoning maturity. In E. Kessler (Ed.), *Encyclopedia of management theory*. Thousand Oaks: Sage.
- Akrivou, K., & Orón, J. V. (2016). Two kinds of human integrity: towards the ethics of the inter-processual self. In Akrivou, K. & Sison, A. (Eds.) *The Challenges of Capitalism for Virtue Ethics and the Common Good*. Edward Elgar Publishing.
- Akrivou, K., Orón-Semper, J. V., & Scalzo, G. (2018). *The inter-processual self. Towards a personalist virtue ethics proposal for human agency*. Cambridge, UK: Cambridge Scholars Publishing.
- Akrivou, K., Scalzo, G., & Orón-Semper, J. V. (2020). How differing conceptions of integrity and self-integration influence relationships: Implications for management, personal, and professional development. *Archives of Psychology*, 4(1), 1–26.
- Alammar, F., & Pauleen, D. (2016). Exploring managers' conceptions of wisdom as management practice. *Journal of Management and Organization*, 22(4), 550–565.
- Alexander, C. N., & Langer, E. J. (Eds.). (1990). *Higher stages of human development*. New York: Oxford University Press.
- Alford, H. (2018). The practical wisdom of personalism. *Journal of Management Development*, 29(7/8), 697–705.
- Alford, H., Brady, B., & Naughton, M. (1995). The common good and the purpose of the firm: A critique of the shareholder and stakeholder models from the Catholic social tradition. *Journal of Human Values*, 1(2), 221–237.

- Alzola, M. (2015). Virtuous persons and virtuous actions in business ethics and organizational research. *Business Ethics Quarterly*, 25(3), 287–318.
- Anscombe, G. E. M. (1958). Modern moral philosophy. *Philosophy*, 33(124), 1–19.
- Aristotle. (2002). *Nicomachean Ethics* (Translated by Christopher Rowe). New York: Oxford University Press.
- Arjoon, S. (2008). Reconciling situational social psychology with virtue ethics. *International Journal of Management Reviews*, 10(3), 221–243.
- Bachmann, C., Habisch, A., & Dierksmeier, C. (2017). Practical wisdom: Management's no longer forgotten virtue. *Journal of Business Ethics*, 153(1), 146–165.
- Baltes, P. B., & Smith, J. (1990). Toward a psychology of wisdom and its ontogenesis. In R. Sternberg (ed.) *Wisdom: Its nature, origins, and development* (Vol. 1, pp. 87–120). Cambridge University Press. New York, NY.
- Baltes, P. B., & Staudinger, U. M. (2000). Wisdom: A metaheuristic to orchestrate mind and virtue toward excellence. *American Psychologist*, 55(1), 122–136.
- Bandura, A. (1989). Human agency in social cognitive theory. *American Psychologist*, 44(9), 1175–1184.
- Bhuyan, N. (2007). The role of character in ethical decision-making. *Journal of Value Inquiry*, 41(1), 45–57.
- Coase, R. (1991). The nature of the firm. *Economica*, 4(16), 386–405.
- Cook-Greuter, S. R. (1999). *Post-autonomous ego development; a study on its nature and its measurement*. Unpublished Ph.D. dissertation, Graduate School of Education, Harvard University, Boston.
- Deci, E. L., & Ryan, R. M. (2013). The importance of autonomy and development of wellbeing. In B. W. Sokol, F. M. E. Grouzet, & U. Müller (Eds.), *Self-regulation and autonomy*. New York: Cambridge University Press.
- Deetz, S. (1992). *Democracy in an age of corporate colonization*. New York: State University of New York Press.
- Doh, J. P., & Stumpf, S. A. (2005). Toward a framework of responsible leadership and governance. In J. P. Doh & S. A. Stumpf (Eds.), *Handbook of responsible leadership and governance in global business* (pp. 3–18). Cheltenham: Edward Elgar.
- Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, 14(1), 57–74.
- Evans, J. S. B. (2008). Dual-processing accounts of reasoning, judgment, and social cognition. *Annual Review of Psychology*, 59, 255–278.
- Ferrero, I., & Sison, A. (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.
- Frisina, W. G. (2002). *The unity of knowledge and action: Towards a nonrepresentational theory of knowledge*. New York: State University of New York Press.
- Fontrudona, J., & Sison, A. J. G. (2006). The nature of the firm, agency theory and shareholder theory: A critique from philosophical anthropology. *Journal of Business Ethics*, 66(1), 33–42.
- Gergen, K. J. (1999). Agency: Social construction and relational action. *Theory & Psychology*, 9(1), 113–115.
- Gergen, K. J. (2011). The self as social construction. *Psychological Studies*, 56(1), 108–116.
- Grint, K. (2007). Learning to lead: Can Aristotle help us find the road to wisdom? *Leadership*, 3(2), 231–246.
- Hartman, E. M. (2006). Can we teach character? An Aristotelian answer. *Academy of Management Learning & Education*, 5(1), 68–81.
- Hendry, J. (2001). Economic contracts versus social relationships as a foundation for normative stakeholder theory. *Business Ethics: A European Review*, 10(3), 223–232.
- Hendry, J. (2004). *Between enterprise and ethics: Business and management in a bimoral society*. Oxford: Oxford University Press.

- Jensen, M. C., & Meckling, W. H. (1979). Theory of the firm: Managerial behavior, agency costs, and ownership structure. In *Economics social institutions* (pp. 163–231). Dordrecht: Springer Netherlands.
- Kamtekar, R. (2013). Ancient virtue ethics: An overview with an emphasis on practical wisdom. In D. Russell (Ed.), *The Cambridge companion to virtue ethics*. Cambridge: Cambridge University Press.
- Kane, J. (2001). *The politics of moral capital*. Cambridge: Cambridge University Press.
- Kegan, R. (1994). *In over our heads: The mental demands of modern life*. Boston: Harvard University Press.
- Khurana, R. (2010). *From higher aims to hired hands: The social transformation of American business schools and the unfulfilled promise of management as a profession*. Princeton: Princeton University Press.
- Koehn, D. (1995). A role for virtue ethics in the analysis of business practice. *Business Ethics Quarterly*, 5, 533–539.
- Koehn, D. (1998). Virtue ethics, the firm, and moral psychology. *Business Ethics Quarterly*, 8(3), 497–513.
- Kohlberg, L. (1969). *Stage and sequence: The cognitive-developmental approach to socialization*. Chicago: Rand McNally.
- Loevinger, J. (1966). The meaning and measurement of ego development. *American Psychologist*, 21(3), 195–206.
- Loevinger, J. (1976). *Ego development: Conceptions and theories*. San Francisco: Jossey-Bass.
- Maak, T. (2007). Responsible leadership, stakeholder engagement, and the emergence of social capital. *Journal of Business Ethics*, 74, 329–343.
- Maak, T., & Pless, N. (2006). Responsible leadership: A relational approach. In T. Maak & N. Pless (Eds.), *Responsible leadership* (pp. 33–54). New York: Routledge.
- MacIntyre, A. (2007). *After virtue*. Notre Dame: University of Notre Dame Press.
- MacIntyre, A. (2016). Ethics in the conflicts of modernity: An essay on desire, practical reasoning, and narrative. Cambridge University Press.
- McAdams, D. P., & de St Aubin, E. (1998). *Generativity and adult development*. Washington, DC: American Psychological Association.
- Melé, D. (2009). Integrating personalism into virtue-based business ethics: The personalist and the common good principles. *Journal of Business Ethics*, 88, 227–244.
- 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. (2006). Practical wisdom and business ethics. *Business Ethics Quarterly*, 17(3), 535–561.
- Moberg, D. (2008). Mentoring and practical wisdom: Are mentors wiser or just more politically skilled? *Journal of Business Ethics*, 83(4), 835–843.
- Mounier, E. (1936). *De la propriété capitaliste à la propriété humaine* (Vol. 18). Paris: Desclée de Brouwer.
- Murphy, J. (1993). *The moral economy of Labour*. New Haven & London: Yale University Press.
- Nonaka, I., & Takeuchi, H. (2011). The wise leader. *Harvard Business Review*, 89(5), 58–67.
- Orón, J. V. (2016). Virtud como comportamiento ideal o como dinámica interior. *Estudios filosóficos polianos*, 3, 22–28.
- Orón, J. V., Akrivou, K., & Scalzo, G. (2019). Autonomous self and inter-processual self: Two different backgrounds that explain how people “see” and live the relation—two ways of dialoguing between science and faith. In B. Billingsley, K. Chappell, & M. Reiss (Eds.), *Science and religion in education* (pp. 91–101). Munich: Springer.
- Pérez López, J. A. (1993). *Fundamentos de la Dirección de Empresas*. Madrid: Rialp.
- Polo, L. (1997). *Ética. Hacia una versión moderna de temas clásicos* (2nd ed.). Madrid: AEDOS-Unión Editorial.
- Polo, L. (1998). *Antropología trascendental. Tomo I: La persona humana*. Pamplona: EUNSA.
- Polo, L. (2003). *Antropología trascendental. Tomo II: La esencia de la persona humana*. Pamplona: EUNSA.
- Polo, L. (2007). *¿Quién Es El Hombre? Un Espíritu En El Tiempo*. Madrid: Rialp.



- Polo, L. (2012). *Filosofía y Economía*. Pamplona: Eunsa.
- 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.
- Russell, D. (2013). Introduction: Virtue ethics in modern moral philosophy. In D. Russell (Ed.), *The Cambridge companion to virtue ethics*. Cambridge: Cambridge University Press.
- Ryan, R. M., & Deci, E. (2006). Self-regulation and the problem of human autonomy: Does psychology need choice, self-determination, and will? *Journal of Personality*, 74(6), 1557–1586.
- Ryan, R. M., & Lynch, J. (1989). Emotional autonomy versus detachment: Revisiting the vicissitudes of adolescence and young adulthood. *Child Development*, 60(2), 340–356.
- Scalzo, G. R., & Alford, H. (2016). Prudence as part of a worldview: Historical and conceptual dimensions. In K. Akrivou & A. J. Sison (Eds.), *The challenges of capitalism for virtue ethics and the common good: Interdisciplinary perspectives* (Vol. 12, pp. 254–271). Cheltenham: Edward Elgar.
- Sison, A. J. G. (2003). *The moral capital of leaders. Why virtue matters*. Cheltenham: Edward Elgar.
- Sison, A. J. G. (2015). *Happiness and virtue ethics in business*. Cambridge: Cambridge University Press.
- Sison, A. (2016). Revisiting the common good of the firm. In K. Akrivou & A. J. G. Sison (Eds.), *Challenges of capitalism for virtue and the common good: Inter-disciplinary perspectives*. Cheltenham: Edward Elgar.
- Sison, A., & Fontrodona, J. (2012). The common good of the firm in the Aristotelian–Thomistic tradition. *Business Ethics Quarterly*, 22(2), 211–246.
- Sison, A., & Fontrodona, J. (2013). Participating in the common good of the firm. *Journal of Business Ethics*, 113(4), 611–625.
- Sison, A., & Hühn, M. (2018). Practical wisdom in corporate governance. In A. Sison, I. Ferrero, & G. Guitián (Eds.), *Business ethics. A virtue ethics and common good approach*. London/New York: Routledge.
- Solomon, R. C. (1994). The corporation as a community. *Business Ethics Quarterly*, 4(3), 271–285.
- Sorabji, R. (2006). *Self: Ancient and modern insights about individuality, life, and death*. Oxford: Oxford University Press.
- Staudinger, U. M. (2008). A psychology of wisdom: History and recent developments. *Research in Human Development*, 5(2), 102–107.
- Sternberg, R. J. (Ed.). (1990). *Wisdom: Its nature, origins, and development*. New York: Cambridge University Press.
- Sternberg, R. J. (1998). A balance theory of wisdom. *Review of General Psychology*, 2(4), 347–365.
- Sternberg, R. J. (2004). What is wisdom and how can we develop it? *The Annals of the American Academy of Political and Social Science*, 591(1), 164–174.
- Taylor, C. (1989). *Sources of the self*. Cambridge, UK: Cambridge University Press.
- Trowbridge, R. H. (2011). Waiting for Sophia: 30 years of conceptualizing wisdom in empirical psychology. *Research in Human Development*, 8(2), 149–164.
- Tsoukas, H., & Cummings, S. (1997). Marginalization and recovery: The emergence of Aristotelian themes in organization studies. *Organization Studies*, 18(4), 655–683.
- Wang, Y. (1963). *Instructions for practical living*. New York: Columbia University Press.
- Whitehead, A. N. (1978). *Process and reality*. New York: Free Press.
- Zwolinski, M., & Schmidtz, D. (2013). Environmental virtue ethics: What it is and what it needs to be. In D. Russell (Ed.), *The Cambridge companion to virtue ethics*. Cambridge: Cambridge University Press.