Journal of Management & Organization, 19:1 (2013), pp. 1–24

doi:10.1017/jmo.2013.1

Understanding the elements and outcomes of executive wisdom: A strategic approach

ROBERT W KOLODINSKY AND PAUL E BIERLY*

Abstract

The purpose of this paper is to: (a) offer rationale for the importance of an increasingly important organizational management topic – the wisdom of top managers – what we call *executive wisdom*; (b) develop a theoretical framework for the construct, including core components and outcomes, and (c) provide implications for practice. The research in several related literatures is reviewed and synthesized to provide the foundation for the development of this theoretical framework. Applying the extant literature on wisdom to the specific context of a top-level business manager, we argue that there are four foundational characteristics of executive wisdom: (1) Knowledge, developed by prior learning and experience, (2) moral maturity, (3) reflective strategic decision-making, and (4) ability to manage uncertainty. Executives possessing such characteristics are: (a) able to make enlightened strategic judgments that are (b) implemented as principled actions. The effectiveness of such implementation is contingent upon, among other moderators, the executive's leadership skills. We view each of the characteristics as necessary but not sufficient to possess and benefit from executive wisdom. The principled actions undertaken by those possessing executive wisdom will, when compared to other executives, have a greater likelihood of leading to valued outcomes indicative of organizational effectiveness, including enhanced stakeholder trust and loyalty, reputational capital, and stronger financial and social performance. We believe that the main arguments developed in this paper will help improve managers' understanding of how to become a wise executive and to realize the benefits of doing so. From a theory perspective, this paper adds to the growing body of literature in a new and increasingly valued area of research.

Keywords: wisdom, knowledge, learning, leadership, decision-making, organizational effectiveness

Received January 2011. Accepted August 2012

INTRODUCTION

> No man starts out to be wise until he sees what it costs him to be a fool. (Socrates, in Schwerin, 1998, p. 53)

As has been made clear with so many recent scandals at such global firms as Barclays PLC, News Corp's News of the World, Lehman Brothers, Satyam Computer Services, HSBC Holdings

James Madison University, Harrisonburg, VA, USA
Corresponding author: kolodirw@jmu.edu
* Deceased.
It is with profound sadness that my good friend, wonderful colleague, and co-author, Paul Bierly, passed away in July 2013, after a decade-long battle with cancer.

PLC, MF Global Holdings, and Olympus Corporation, and with companies in the pharmaceutical industry recently agreeing to pay billions of US dollars in fines to settle civil and criminal charges, many top executives fail to consistently be effective because their decision-making focus is too often on short-term financial results maximization, without fully considering long-term effects and impacts on important stakeholders. Following an analytical but simplified process to guide their decisions, and commonly suffering from 'outcomes bias' (Bazerman & Tenbrunsel, 2011), they may at times achieve attractive short-term results. However, as we now know from myriad recent corporate scandals and from the current global financial crisis, a narrow and often unprincipled short-term focus can wreak havoc in other ways – by eroding trust and confidence among key stakeholder groups, by adversely impacting workers and surrounding communities, and by failing to build sustainable reputational capital. Indeed, a review of the factors leading to many of the recent business scandals points to unethical and, too often, illegal acts brought on by, among other factors, short-term pressure from shareholders to meet ever-higher performance expectations (Bazerman & Tenbrunsel, 2011; Brewer, Chandler, & Ferrell, 2006). In the wake of so many scandals, bankruptcies, inconsistent results, and angry stakeholders, there appears to be growing support among executives to not only acknowledge social impacts, but also to make a strategic shift away from narrow and short-term financial performance to one based on creating shared stakeholder value for both business success and societal progress (Freeman, Dunham, & McVea, 2007; Porter & Kramer, 2011). Thus, in order to build businesses that not only survive but thrive, executives must fully understand the broad and long-term implications of their decisions and actions. Certainly, it would seem wise to consider long-term stakeholder issues and impacts in strategy making.

While an intellectual movement to understand wise organizational practices has been on-going for more than a decade (e.g., Schein, 1996; Sternberg, 1997; Weick, 1998), only recently have organizational researchers more comprehensively begun to try to understand the impact of wisdom in organizational settings (e.g., DeNisi & Belsito, 2007; Jordan & Sternberg, 2007; Kessler & Bailey, 2007; Lawrence, 2007; Limas & Hansson, 2004; McKenna, Rooney, & Boal, 2009; Weick, 2007). Building upon this recent research and drawing on extent literatures in strategic management, organizational behavior, normative philosophy, psychology, and more, we have focused our framework on those likely to have the single greatest impact on organizational performance – top managers, also known as *executives*. We argue that, compared to their less prudent counterparts, wise executives recognize the strategic implications that their decisions can have on long-term organizational effectiveness, on salient stakeholders, and on positively impacting the 'common good' (Freeman et al., 2007; Sternberg, 2000). We suggest that such *executive wisdom* requires a unique combination of cognitive and behavioral processes that are intentionally reflective and appreciative of the complexities of multi-faceted goals and stakeholders. Such executives understand the importance of developing meaningful relationships with others and are not driven only by self-interest and financial performance, but rather intentionally attempt to create shared value with key stakeholders (Porter & Kramer, 2011) and have a sense of purpose that includes *both* financial success and admirable social performance.

In the following paper, we attempt to develop the concept of executive wisdom and provide rationale for its importance and impact. We start with a brief overview of wisdom and definition of terms. We then move to executive wisdom components and its development. Next, we suggest salient outcomes and offer distinctions between wise executives and short-term profit-driven executives. Throughout this discourse, we frame executive wisdom as an actionable capability of a top manager and something that facilitates decision-making processes and the effectiveness of subsequent actions.

A BRIEF OVERVIEW OF EXECUTIVE WISDOM

Wisdom has until recently (cf., Kessler & Bailey's, 2007 edited handbook) been a little used term among executives and business researchers alike, in part because 'wisdom is about as elusive as

https://doi.org/10.1017/jmo.2013.1 Published online by Cambridge University Press

psychological constructs get' (Sternberg, 1990, p. ix; also see Kessler & Bailey, 2007, p. xxiv) and the prospect of tackling such an intangible topic may be too daunting to most researchers. Nonetheless, such challenges do not necessarily mean that studying wisdom is not worthwhile. Indeed, the concept has been quite familiar – and ostensibly important – to philosophers and intellectuals for millennia. For example, Socrates (469-399 BC) is credited with saying: 'All … things hang upon the soul, and all things of the soul herself hang upon wisdom'. In the Christian tradition (e.g., Proverbs 3, 4, 8, 9; Life Application Bible, 1991), a person possessing wisdom is loving, faithful, knows right from wrong, does what is right, listens and learns, possesses knowledge and discretion, gives good advice and has common sense, loves correction, and is teachable. In addition to Christianity, nearly all other major faith traditions, including Hebrew, Hindu, Islam, Buddhist, Taoist, and Confucian, emphasize the importance of wisdom. Understanding the role of wisdom is important in an organizational setting because it likely helps to differentiate those executives who run effective and sustainable organizations from those who do not (e.g., Bierly & Kolodinsky, 2007; Freeman et al., 2007). However, the effective use of this broad term is limited unless its meaning is clearly stated and understood.

Not surprisingly, wisdom has been defined in many ways by researchers, usually influenced by the goals of their research. (See Table 1 for a representative list of wisdom definitions; see Karelitz, Jarvin, & Sternberg, 2010; Staudinger & Glück, 2011 for extensive reviews of this area). A starting point toward a better understanding of the term is a dictionary definition of wisdom: 'The faculty of making the best use of knowledge, experience, and understanding by exercising good judgment' (Webster & McKechnie, 1961). Many psychology academics have provided a wide range of definitions. For example, Boyatzis (2007, p. 224) defined wisdom as 'a deep understanding of the nature of things' and Baltes and Staudinger (2000, p. 124) refer to it as 'expertise in the conduct and meaning of life'. Birren and Fisher (1990, p. 326, italics in original) suggest wisdom as 'the integration *of the affective*, *conative*, and *cognitive* aspects of human abilities in response to life's tasks and problems', which is similar to Ardelt's (2003, p. 277) view that wisdom is the 'integration of cognitive, reflective, and affective dimensions'. Jordan and Sternberg (2007, p. xxi) state that wisdom is 'the ability to use one's successful intelligence, creativity, and knowledge, as mediated by personal values, to reach a common good by balancing intrapersonal, interpersonal, and extrapersonal interests over the short and long terms to adapt to, shape, and select environments'.

Some researchers have used construct scales developed empirically to either develop a definition of wisdom or to support their theory. For instance, Webster (2007, p. 164, italics in original) states that 'wisdom is the *competence* in, *intention* to, and *application* of, *critical* life experiences to facilitate the *optimal development* of *self* and *others*', and also explains that wisdom consists of five dimensions: Openness, emotional regulation, humor, critical life experience, reminiscence/reflectiveness (Self-Assessed Wisdom Scale). Along these lines, Greene and Brown (2009) supported empirically the concept that wisdom has six dimensions: Self-knowledge, understanding of others, judgment, life knowledge, life skills, and willingness to learn (Wisdom Development Scale). The Berlin wisdom paradigm has used five criteria to operationalize their concept of wisdom: Factual knowledge, procedural knowledge, lifespan contextualism, value relativism, recognition and management of uncertainty (Baltes & Staudinger, 2000). To add to these empirically derived sets of wisdom dimensions, Meeks and Jeste (2009) created a definition of wisdom using six subcomponents based on a review of the literature, including neurobiological studies: Prosocial attitudes/behaviors, social decision-making/pragmatic knowledge of life, emotional homeostasis, reflection/self-understanding, value relativism/tolerance, acknowledgment of and dealing effectively with uncertainty/ambiguity.

In the organizational context, some have attempted to define wisdom from the managerial perspective. For example, Boal and Hooijberg (2001, p. 518) propose that managerial wisdom involves some combination of social and environmental discernment and the 'capacity to take the right action at a critical moment' (known as 'Kairos time'). Malan and Kriger (1998, p. 249) offer

Table 1. Select definitions of wisdom (in chronological order)

Webster and McKechnie (1961)	The faculty of making the best use of knowledge, experience, and understanding by exercising good judgment
Meacham (1983)	A balance between increases in the amount that one knows and simultaneous increases in the recognition that there is much that one does not know
Birren and Fisher (1990)	The integration of the affective, conative, and cognitive aspects of human abilities in response to life's tasks and problems; … a balance between the opposing valences of intense emotion and detachment, action and inaction, and knowledge and doubts
Malan and Kriger (1998)	A fine-grained understanding of and ability to respond to variation between and within organizations, time, people, relationships, power, culture and morality
Baltes and Staudinger (2000)	Expertise in the conduct and meaning of life. Five criteria: Factual knowledge, procedural knowledge, lifespan contextualism, value relativism, recognition and management of uncertainty
Ardelt (2003)	An integration of cognitive, reflective and affective dimensions
Csikszentmihalyi and Nakamura (2005)	A type of cognitive process motivated by values and emotions
Boyatzis (2007)	A deep understanding of the nature of things
Gioia (2007)	The acquired ability to create viable realities from equivocal circumstances and to use informed judgment to negotiate prudent courses of action through the realities created
Jordan and Sternberg (2007)	The ability to use one's successful intelligence, creativity, and knowledge, as mediated by personal values, to reach a common good by balancing intrapersonal, interpersonal, and extrapersonal interests over the short and long terms to adapt to, shape, and select environments
Rooney and McKenna (2007)	Combines transcendent intellection and rational process with ethics to provide a balanced and integrated way of knowing, deciding and acting for managers in a complex and uncertain business environment
Webster (2007)	The competence in, intention to, and application of, critical life experiences to facilitate the optimal development of self and others (five dimensions: Openness, emotional regulation, humor, critical life experience, reminiscence/reflectiveness)
Greene and Brown (2009); Brown (2004)	Six dimensions: Self-knowledge, understanding of others, judgment, life knowledge, life skills, willingness to learn. 'Learning-from-life' process involves a person's orientation to learning, experiences, and interactions with others
Meeks and Jeste (2009)	Six components: Prosocial attitudes/behaviors, social decision-making/pragmatic knowledge of life, emotional homeostasis, reflection/self-understanding, value relativism/tolerance, acknowledgment of and dealing effectively with uncertainty/ambiguity

managerial wisdom as 'the ability to detect … fine nuances between what is right and what is not'. They further argue that managerial wisdom is greatly 'dependent on experience and … moral development to act in situationally appropriate ways'. Thus, among many other scholars, Malan and Kriger (1998) argue strongly for a moral component to wisdom. Additionally, Limas and Hansson (2004, p. 90) argued that to adapt the construct of wisdom to organizations, it is important for wise organizational members to 'be knowledgeable about and sensitive to the organization's culture' and to understand the social norms and moral values in the organization to be able to successfully manage relationships with others and achieve their goals.

The focus of this paper is specifically on *executive* wisdom. Executive wisdom, by its very nature, applies to *individuals* who are top management team members of organizations. Defining executive wisdom is difficult, mostly because of the complexity, ambiguity, and lack of agreement associated with the concept of wisdom (e.g., Birren & Svensson, 2005; Sternberg, 1990). However, several issues are apparent.

First, at the core of the concept of executive wisdom is the notion of judgment, which incorporates, among other inputs, strategic decision-making and a plan for action. Wisdom requires more than

https://doi.org/10.1017/jmo.2013.1 Published online by Cambridge University Press

facts; it also involves balancing confident knowing with cautious doubting, knowing that there is much that one does not know, and understanding how to put one's knowledge to use (Meacham, 1983, 1990; Weick, 1998). As such, executive wisdom involves not only making appropriate organizational decisions, but also understanding how to implement those decisions (Bierly, Kessler, & Christensen, 2000).

Second, the accumulation and use of relevant tacit and explicit knowledge is a critically important component of executive wisdom. Effective decisions by executives require access to pertinent data but also the application of an understanding of fundamental industry characteristics, competitors' strategies, critical technologies, organizational resources and capabilities, and organizational culture (e.g., Blattberg & Hoch, 1990; Limas and Hansson, 2004; Nonaka, 1994; Spender, 1996).

Third, we argue that one's moral maturity provides a stable foundation for discerning right from wrong and rationale for why certain individuals value the needs of others, act in a moral and just manner, and care deeply about the long-term impacts of their decisions. This moral maturity element is consistent with others' wisdom conceptions (e.g., Freeman et al, 2007; Limas & Hansson, 2004; Malan & Kriger, 1998) and also mirrors closely some of the primary tenets of ethical leadership (Treviño, Brown, & Hartman, 2003; Treviño, Hartman, & Brown, 2000), spiritual leadership (Fry, 2003), and authentic transformational leadership (Bass & Steidlmeier, 1999).

Fourth, executive wisdom involves deep reflection on one's own and others' relevant past experiences. Indeed, several researchers have discussed how *reflectiveness* is an important component of wisdom (Ardelt, 2003; Beyer & Nino, 1998; Bierly et al., 2000; Webster, 2007; Weick, 1998). Reflectiveness enables executives to best interpret and understand knowledge based on their own experiences and, importantly, vicariously through experiences of salient others. Using cognitive framing based on experience enables executives to effectively make complex decisions in ambiguous and uncertain environments. Reflectiveness is also a pathway to developing more creative and effective solutions to difficult problems.

Fifth, executives who are able to manage uncertainties – of their environments, of available information, and of dealing with stakeholders – are more likely to make decisions that are viewed retrospectively as wise. Indeed, many organizational theorists believe that management of ambiguity and uncertainty is critically important to making wise, strategic decisions (Freeman et al., 2007; Karelitz et al., 2010; Weick, 1998). Sixth, executive wisdom is typically manifest in judgments and actions that reflect prudent stewardship of resources, sensitivity to impacts on human capital, developing and effectively communicating a compelling strategic vision, and modeling flexible yet moral behavior that others want to emulate. These characteristics are similar to some of the primary tenets of transformational leadership (e.g., Bass, 1990; Bass & Steidlmeier, 1999), ethical leadership (e.g., Treviño et al., 2000), spiritual leadership (Fry, 2003), and particularly strategic leadership (e.g., Boal & Hooijberg, 2001; Cannella & Monroe, 1997).

Finally, those possessing executive wisdom positively impact their surroundings. The primary outcomes of executive wisdom transcend what is best for the individual top executive; they positively and harmoniously impact the 'common good' (Bartunek & Trullen, 2007; Sternberg, 2000) in the context of shared values of salient stakeholders (Freeman et al., 2007; Porter & Kramer, 2011). Eastern thought, such as the teachings of Confucius and the core beliefs of Buddhism, stress the importance of harmony with one's environment as being a key component of wisdom. Similarly, executive wisdom requires the subjugation of self-interest and ego in organizational decision-making and, rather, calls for sensitivity to all salient stakeholders.

Integrating components of wisdom definitions as well as extent theoretical research, and applying our findings to top managers of organizations specifically, we offer the following definition of executive wisdom: *The actionable ability of a top organizational manager to apply accumulated knowledge, embody moral maturity, manage uncertainty, and engage in reflective strategic decision-making processes*

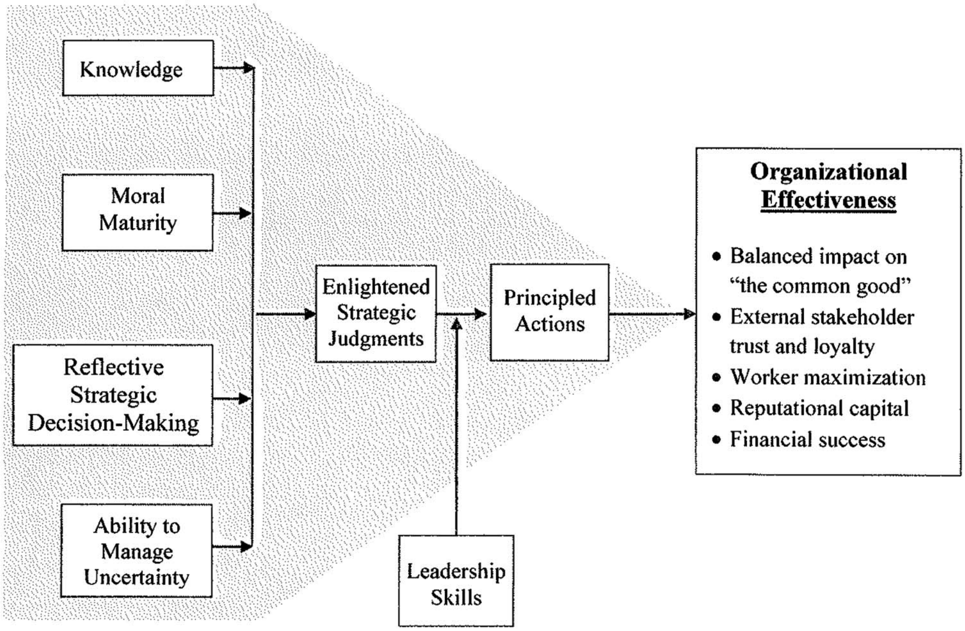

FIGURE 1. EXECUTIVE WISDOM: COMPONENTS, MODERATOR, AND OUTCOMES

that result in: (a) enlightened strategic judgments and (b) effective implementation of principled actions that help to sustain long-term organizational effectiveness and positively impact a firm's most salient stakeholders.

EXECUTIVE WISDOM: FOUNDATIONAL CHARACTERISTICS

Drawing on several different academic literatures and applying the concepts to top managers of organizations, we argue that there are four foundational characteristics of executive wisdom: (1) Knowledge, including tacit knowledge based largely on one's experiences, (2) moral maturity, (3) the ability to manage uncertainty, and (4) reflective strategic decision-making, each of which enable: (a) enlightened strategic judgments and, ultimately, (b) implementation of principled actions. Each of the four characteristics is necessary but not sufficient alone to possess executive wisdom. It is the integration of these components that creates and makes manifest executive wisdom. In the following section, we discuss these wisdom foundations and identify some of the factors that aid in their development. Figure 1 is an illustration of the framework of executive wisdom we will be describing in the next several sections.

Knowledge

Explicit and tacit knowledge

Knowledge involves both 'knowing how', which is generally viewed as tacit knowledge, and 'knowing about', which is commonly referred to as explicit knowledge (Grant, 1996; Polanyi, 1966). Knowledge implies a deep understanding of information concerning a topic. A person's knowledge level expands as he or she learns more throughout life; this learning typically occurs at a faster pace in people who have higher intelligence. Whereas knowledge is necessary but not sufficient for wisdom

https://doi.org/10.1017/jmo.2013.1 Published online by Cambridge University Press

(Kessler & Bailey, 2007), increasing one's knowledge surely provides the potential for enhancing wisdom. Judgments are made based on the executive's knowledge base at that time, but this base can be augmented prior to making the decision by accessing knowledge throughout the organization, known as 'organizational knowledge' (e.g., Cook & Brown, 1999; Nonaka, 1994). The processes of applying explicit and tacit knowledge are different, but interrelated.

According to Sternberg (1997, p. 2000), wisdom requires accumulation, storage, and recall of applicable organization-related information – that is, any resident information pertinent to organizational decision-making that can be 'brought to mind', processed openly, verbalized, and thus made explicit. Examples of explicit knowledge include knowledge of effective organizational processes, salient stakeholders, established managerial decision models, industry dynamics, and data that can be used to solve problems. Derived primarily from education, training, and recallable experiences, explicit knowledge enables executives to problem-solve based on familiar and concrete information. Moreover, explicit knowledge is useful in helping executives formulate logical justifications for their decisions and actions.

Whereas explicit knowledge is clearly valuable in helping anyone solve problems that require recallable information, organizational researchers have long recognized that explicit knowledge is not the only knowledge source – or necessarily the best – for decision-making (e.g., Barnard, 1938; Polanyi, 1966; Weick, 1998). Tacit knowledge, which cannot be articulated, is also effective in helping executives make fast and effective decisions (Blattberg & Hoch, 1990; Simon, 1987; Sternberg, 1997). Tacit knowledge is a subconscious form of non-recallable knowing that nonetheless allows one to make informed decisions based on 'gut feeling' or intuition (Nonaka, 1994; Spender, 1996). Tacit knowledge is developed over time through life experiences and through informal vicarious learning processes, and aids in discernment (Boal and Hooijberg, 2001), insight (Dunne, 1997), and the interpretation of 'soft data' that are invisible, yet extremely important to the understanding of organizations and management (Malan & Kriger, 1998).

The ability to link tacit and explicit knowledge is related to the psychological construct known as 'cognitive complexity' (e.g., Bartunek & Louis, 1988; Burleson & Caplan, 1998). As outlined by Wang and Chan (1995, p. 35), an individual's cognitive complexity is determined by differentiation, the 'number of dimensions used by individuals to perceive environmental stimuli', and integration, 'the complexity of rules used by individuals in organizing the differentiated dimensions'. Cognitive complexity is an important concept in organizational settings because it refers to the capacity of a leader to adapt, think, understand, and decide about complex phenomena and make use of experiences (e.g., Bartunek & Louis, 1988; Streufert & Swezey, 1986; Yasai-Aradekani, 1986).

Knowledge, experience, and wisdom

A top manager's experiences benefit both tacit and explicit knowledge, as well as one's cognitive complexity capacity, as they aid in understanding the broader context of issues, seeing how new knowledge can be integrated into existing knowledge, and assigning value (consciously or not) to different types of knowledge. When experiences are coupled with formal and informal learning processes, the potential for wisdom becomes more probable.

Experiential learning theory provides a model of how knowledge accumulation might be maximized through a cycle of concrete experience to observations and reflection, followed by the formation of abstractions and generalizations that are then applied in new situations (Kolb, 1984). Similarly, Malan and Kriger (1998) maintain that wisdom develops from a process of progressively finer discernment of variability in the environment. That is, interactions with the environment (experience) lead to the ability to discern variability, which in turn lead to learning that ultimately enhances wisdom. At its core, experience gives individuals the ability to assess the relative salience of events, detect changing patterns, judge the importance of developments, and make informed decisions.

Experience also fosters the development and use of intuition in the strategic decision-making process. Many decades ago, Barnard (1938) observed that many decisions by executives did not follow a rational, analytic process, but instead relied on intuition and judgment through a 'non-rational' decision-making process based on experience. Intuition is particularly valuable when time pressures do not allow decisions to be made in a systematic, analytic manner. It is however important to differentiate between intuition and emotion. Intuition draws on the executives' experience, training and prior learning, by rapidly applying non-explicit 'chunks' or patterns of information stored in memory to a specific situation (Simon, 1987). Intuition produces rapid solutions using recognition cues based on professional judgment. On the other hand, decisions based solely on emotion can be considered 'irrational' in the sense that they are based not on knowledge accrued through experience, but on an individual's current feelings and biases. As Simon's (1987) study on intuitive decision-making of chess grandmasters clearly illustrated, making decisions based on intuition can be surprisingly effective; but decisions based solely on emotion are usually poor decisions (Klein, 2003).

In the foregoing, we are not advocating that executives should forego a formal analysis of available explicit knowledge and rely only on intuition. Formal analyses should be performed as data and time permit. However, intuition can be a powerful tool to supplement the rational decision-making process, particularly in high-velocity decisional environments (Eisenhart, 1998). Indeed, utilizing both explicit and tacit knowledge has been found to be a more effective decision-making strategy than either in isolation (e.g., Blattberg & Hoch, 1990).

However, executive wisdom is not just comprised of knowledge. Plenty of very knowledgeable business executives have failed to optimize organizational effectiveness, positively impact society, or – worse – have committed white-collar atrocities. Executive wisdom also requires moral maturity, a multi-faceted construct that is the subject of the next section.

Moral maturity

There is a moral crisis in the United States (Bazerman & Tenbrunsel, 2011; Carter, 2005), a crisis particularly evident in business environments and morally disengaged business leadership (Detert, Treviño, & Sweitzer, 2008; Giacalone & Jurkiewicz, 2003; Lennick & Kiel, 2005). As the world has witnessed regularly in recent years, executive shortsightedness and intentional misdeeds have frequently resulted in devastating long-term effects on hoards of stakeholders at such firms as Adelphia, Enron, HealthSouth, Parmalat, Peanut Corporation of America, Rite-Aid, Skandia, Royal Dutch Shell PLC, Tyco, WorldCom, and, more recently, Barclays, GlaxoSmithKline, HSBC, Lehman Brothers, and Olympus Corporation, among many others. The prevalence of what may be described as a 'cheating culture' (e.g., Callahan, 2004) in for-profit organizational environments particularly has led to sea-changing legislation (e.g., Sarbanes–Oxley Act of 2002) designed largely to constrain unethical activity and punish wrong-doers. According to Lennick & Kiel, (2005, p. 21), humans 'are all 'hard-wired' to be moral' but also require programming – or 'moral software' Lennick & Kiel, (2005, p. 22) – in order to develop our moral competence and be guided by a 'moral compass' that reflects universal principles. Sadly, driven by self-serving or materialistic motives (Callahan, 2006; Kasser, 2002) and burdened by financial pressures, too many top managers have software that either never developed or whose ethics have been compromised by 'motivated blindness' (Bazerman & Tenbrunsel, 2011).

In order to make wise judgments that result in long-term effectiveness, it is essential that top managers understand the moral implications of the choices they make, and how such choices affect the entire organizational system and the 'common good' (Lennick & Kiel, 2005; Sternberg, 1998). Certainly, careful consideration of both deontological decision processes and teleological impacts would have helped reduce some of the recent corporate misdeeds. *Morality* refers to 'the standards of

https://doi.org/10.1017/jmo.2013.1 Published online by Cambridge University Press

behavior by which people are judged in their relationships with others' (Hosmer, 2008, p. 99), and behavior of a moral nature is commonly judged with terms such as right versus wrong, good versus evil, or just versus unjust (Hosmer, 2008). Viewed as having a high level of moral development, *moral maturity* refers to 'the ability to stand outside the situation and justify one's actions in terms of universal moral principles' (Dreyfus, 1990). Universal moral principles, such as integrity, compassion, responsibility, forgiveness (Lennick & Kiel, 2005), honesty, justice, and trust are the unchanging, proven, 'natural laws and governing social values that have gradually come through every great society, every responsible civilization, over the centuries' (Covey, 1990, p. 69). From an organizational leadership perspective, Bennis (1999) has called for executives to embrace such humane (and morality-related) values as humility, openness, magnanimity, and integrity; all of which fit well within a moral maturity framework.

Developing one's moral maturity, which also can be viewed as progressing further along Kohlberg's (1969, 1983) stages of moral development and manifested through one's decisions and actions, is foundationally vital to possessing executive wisdom. From an executive decision-making perspective, moral maturity helps to frame knowledge use and constrain decision-making to ethical judgments that reflect sensitivity to salient stakeholders and a long-term effectiveness bias. Those with high moral maturity do not push aside self-interest; rather, self-interests are pursued only with keen sensitivity to minimizing adverse impact on others (e.g., Forsyth, 1992; Hosmer, 2008; Sternberg, 1998). Thus, executive wisdom requires transitioning from, using Kohlberg's (1969) terminology, the conventional level to the post-conventional level. The conventional level is characterized by seeking the approval of others (Stage 3) and by conformity to the law and obligations of duty (Stage 4). At the post-conventional level, an individual becomes a 'truly autonomous moral entity' (Thompson, 2000, p. 121; found in Senske, 2004, p. 46) who takes a genuine interest in the welfare of others, and believes that all individuals should be afforded basic rights and have democratic processes available to them. According to Mathieson and Miree (2003, p. 464), 'post-conventional reasoning is a sign of moral maturity'.

Moral maturity is developed over time and typically requires some combination of discipline, a desire to leave a positive legacy, learning from role models and, often, spiritual readings, and reflective learning from prior ethical situations experienced by oneself and vicarious learning from others' experiences (Bierly & Kolodinsky, 2007). Discipline helps individuals 'make and keep promises and … honor commitments' (Covey, 1990, p. 73). Disciplined executives stay focused (and thus limit distractions) on the most relevant issues. Given the fishbowl that executive management tends to be, it seems wise for executives to be disciplined enough to 'willingly constrain [their] judgments to only those that fit within a framework of moral acceptability' (Bierly & Kolodinsky, 2007, p. 71). Along with learning from others and experiences, morally mature people commonly have a strong desire to leave the world a better place – what Erikson (1950) called 'generativity' in his model of psychosocial development. Covey (2004) went so far as to call 'leaving a legacy' one of the four basic needs of people.

Based on the foregoing, we suggest that moral maturity requires reaching the post-conventional level of moral development, embodying interactionally humane values, modeling universal principles, and possessing a strong desire for generativity. Only when executives move beyond self-interest maximization and a myopic focus on meeting short-term financial targets can they begin to manifest true wisdom and make effective and sensitive moral judgments. However, making decisions that reflect moral maturity and that apply knowledge effectively is not enough for executives to be considered wise. Executive wisdom also requires skill at applying reflective strategic decision-making processes.

Reflective strategic decision-making

Making complex, strategic decisions is a primary function of executives. The decision-making of wise executives is reflective in the sense that there is: (a) Thoughtful consideration of one's own and others' experiences, (b) an understanding of the issues from multiple perspectives, and (c) a deep understanding of complex issues. Many researchers have identified that reflection on past decisions and experiences is a major component of wisdom (Ardelt, 2003; Staudinger, 2001; Staudinger and Glück, 2011; Webster, 2007). The reflection process involves identifying past relevant experiences, critically evaluating the experiences, and understanding how they are related to current situations (Webster, 2007). This type of insight can be gained from both past successes and failures and has great salience for executives with extensive experience with making difficult strategic decisions in complex situations. Reflection on past experiences may occur as part of formal, rational decision-making processes or as 'non-rational' processes by the use of an executive's intuition (Simon, 1987). Intuition can be an especially powerful tool to supplement rational decision-making when decisions need to be made very rapidly without time to gather more data (Bierly & Gallagher, 2007).

In addition to reflecting on past experiences, it is important for executives to look at issues from multiple perspectives before making a decision (Ardelt, 2003; Csikszentmihalyi & Nakamura, 2005; Glück & Buck, 2007; Green & Brown, 2009). This process first requires self-transcendence, the ability to dissolve the boundaries between self and others (Staudinger and Glück, 2011). Wise executives are able to evaluate arguments by others from a distance such that their own worldview, emotions, values, and goals do not unduly bias their decision-making processes. Additionally, wise executives are able to understand that different perspectives of an issue may all have value and that integrating knowledge from these different sources will more likely result in wise decisions. In organizational settings, this translates to executives managing different stakeholders' needs, balancing the need to accomplish both short and long-term goals, and balancing the need to be profitable and also provide societal value that benefits the common good (e.g., Freeman et al., 2007; Sternberg, 2000).

Furthermore, reflective strategic decision-making requires a deeper understanding of very complex issues (Ardelt, 2003; Baltes & Staudinger, 2000; Glück & Buck, 2007). A logical approach to decision-making is certainly required, but a 'universal truth' often cannot be determined (Staudinger and Glück, 2011). Many complex issues in business have multiple truths, contradictions and high levels of uncertainty. Thus, making wise judgments takes more than possessing relevant knowledge, moral maturity, and skill in applying reflective strategic decision-making processes – it also requires the ability to manage uncertainty effectively.

Ability to manage uncertainty

Many researchers have articulately explained why managing uncertainty is a critical component of wisdom (e.g., Ardelt, 2003; Baltes & Staudinger, 2000; Brugman, 2006; Meacham, 1983; Meeks & Jeste, 2009; Rooney & McKenna, 2007; Weick, 1998). Managing uncertainty is particularly salient for business executives, where almost every decision they make involves uncertainty about either the internal or external environment. Many problems involve multiple truths, incompatible goals and ambiguous information. Often, events that determine the success or failure of their firms are out of their control and unpredictable. To manage this uncertainty, executives must first acknowledge and understand the uncertainty they face about current and future situations. Brugman (2006, p. 454) goes so far as to claim that 'the core of wisdom is acknowledging uncertainty, which fosters a more flexible attitude toward information'. Hence, wise executives acknowledge the limitations of human endeavors and an awareness, for instance, that they do not know how certain technologies may evolve or the true capabilities of their competitors and even one's own employees. As suggested by Freeman et al. (2007, p. 162) in the context of stakeholder theory, wise strategy making 'embraces the indeterminacy and changeability of the kinds of problems facing strategy makers and operates within the context of uncertainty and ambiguity'.

After acknowledging uncertainty, executives must develop ways to manage it, which may include the following techniques. First is the use of heuristics, which are general rules used to simplify complex

https://doi.org/10.1017/jmo.2013.1 Published online by Cambridge University Press

situations (Kahneman & Tversky, 2000). Heuristics are usually effective in simplifying a complex situation with much uncertainty, but sometimes they do lead to inappropriate and irrational solutions (Gilovich, Griffin, & Kahneman, 2002; Karelitz, et al., 2010). Having more experience in uncertain situations and previous use of heuristics in these types of situations increases one's ability to apply heuristics. Second, the development of flexible solutions can be a successful strategy to deal with uncertainty (Staudinger & Glück, 2011). Third, the use of scenarios analysis is another strategy to proceed with unknown information. This provides a systematic way of thinking about how the future may unfold and allows executives to change directions as they learn more about a specific situation. Fourth, relying on trusted employees, strategic partners, suppliers or other stakeholders can be efficacious when needing to make strategic decisions quickly and with incomplete information. Additionally, DiFonzo and Bordia (1998) explain the importance of effective communications during times of uncertainty to reduce the anxiety associated with uncertainty and maintain trust throughout the organization.

Two 'Big Five' personality traits (Barrick & Mount, 1991; Digman, 1990) have been identified as antecedents to the successful management of uncertainty: Emotional stability and openness to new experiences (Brugman, 2006; Kunzmann & Baltes, 2003; Staudinger et al., 1998). During periods of uncertainty, some people cling to old ideas because of fear of the unknown and because the uncertainty may imply the impossibility to predict outcomes and, thus, the loss of control (Brugman, 2006). When executives are resigned to the understanding that there is unpredictability and they have lost some control, they must maintain emotional stability to effectively mange the organization (Brugman, 2006; Staudinger et al., 1998). Being intellectually curious, being open to new ways of looking at problems and solutions, and avoiding emotional panic can mean the difference between success and failure of a project – indeed, organizational survival.

Several authors have stressed the importance of both knowing what you know and knowing what you do not know (Birren & Fisher, 1990; Meacham, 1983, 1990; Weick, 1998). Weick (1998) explains this issue with particular insight. He describes wisdom as an attitude toward one's beliefs, values, information and knowledge that balances overconfident knowing and overly cautious doubt (Meacham, 1990; Weick, 1998). Even though much of the business world is unknowable and unpredictable, strategic decisions must still be made and action taken based on incomplete information. Weick argues that a key element of wisdom is the awareness of constraints and contingencies about a given situation such that one takes action understanding that such *knowing* is fallible. In other words, an important attribute of wisdom is the knowledge that one does not know it all. Indeed, for Socrates, the affirmation of his own ignorance helped form the foundation of his philosophy.

Weick (1998) further argues that an absence of wisdom occurs when there is a lack of balance between overconfident knowing and doubt. Wisdom falters when the overconfident executive believes that what he doesn't know is unimportant. Executives may become too attached to 'organizational isomorphism' (e.g., Rooney & McKenna, 2007) by sticking with old, comfortable ideas and modifying the interpretation of new inputs to fit such ideas. All too often 'know it all' executives make poor strategic decisions by only relying on limited or familiar sources of data, failing to understand situational complexities yet acting with conviction and self-assuredness. When strategic decisions are very visible with wide-ranging impact, top managers often feel added pressure to justify them. Weick claims that this type of justification and commitment to a specific course of action is the enemy of wisdom because it minimizes doubt. Wisdom involves questioning the validity of knowledge and decreasing attachment and bias toward any specific option. Of course, wisdom also is not attainable if one lacks knowledge and is excessively cautious. Not knowing enough about a situation or not gathering enough pertinent data can create too much doubt and a lack of confidence to act. Continual inaction exacerbates the problem, as learning is thwarted and opportunities are missed, resulting in a failure to enhance one's ability to better understand how much one does not know (Weick, 1998).

https://doi.org/10.1017/jmo.2013.1 Published online by Cambridge University Press

Whereas wise executives proactively seek to be knowledgeable about all pertinent issues to help them make informed strategic decisions, they understand – given the various complexities of organizational environments, such as constant change, dynamic resources, time pressures, competitive threats, and internal uncertainties – that they cannot make decisions with full certainty. Rather, executive wisdom is evident when one is comfortable with weighing all accessible knowledge with the understanding that much cannot be known; this provides for a healthy 'informed doubt' that helps optimize strategic judgments. Armed with relevant knowledge, moral maturity, reflective strategic decision-making, and ability to manage uncertainty, the wise executive is well positioned to make enlightened strategic judgments and, subject to one's leadership skills, implement such judgments as principled actions which result in sustainable organizational effectiveness outcomes.

EXECUTIVE WISDOM: JUDGMENTS AND ACTIONS

As noted earlier, wise executives are not primarily self-interested and singularly focused on short-term organizational results. Rather, they carefully consider the multi-faceted impacts of their judgments and actions on their organizations and on salient stakeholders. Moreover, they endeavor to carefully consider impacts such decisions have over time – not just to meet short-term expectations but also with a keen eye toward helping one's organization not only survive but thrive. Thus, long-term organizational effectiveness is a primary goal of such executives. It all starts with making judgments that are both strategic and enlightened.

Enlightened strategic judgments

Executives with all of the foundational characteristics discussed above are able to make enlightened strategic judgments; missing any of the foundational characteristics inhibits one's ability to make such judgments. By *enlightened* strategic judgments, we mean that the multi-faceted consequences of one's decisions and actions are thoughtfully considered prior to implementation; in particular, how each judgment will likely affect self, others, the organization, and society at large (Bierly & Kolodinsky, 2007). Given the likelihood that wise executives seek to minimize adverse long-term consequences, enlightened judgments reflect executive integrity, courage, ethics, and careful concern for the 'common good' (Jordan & Sternberg, 2007; Sternberg, 2000). Such judgments therefore transcend an executive's self-interests and center more on the sensitive consideration of impacts on others.

Furthermore, enlightened judgments must be forward-looking and made with careful consideration of impacts on both financial and social performance over time. Therefore, they must be 'strategic' in nature. Freeman et al. (2007, p. 162) assert that managing strategically requires an ethical dimension and 'enables our sense of the good to emerge from the concrete particulars of our lives'. Moreover, they suggest that wise strategy making 'imposes no particular 'formula' for balancing, weighting, offsetting, or dividing stakeholder interests or rewards but allows the most appropriate approach to emerge from [each] particular situation'. Hence, wise executives seek to make judgments that are both strategic and enlightened. While the ability to make enlightened strategic judgments is certainly a hallmark characteristic of wise executives, to be truly effective they must also implement such judgments into action that helps one's organization.

Principled actions

In order for positive outcomes to be achieved, enlightened strategic judgments must be transformed into principled actions. The executive alone often cannot perform such actions; others usually must be mobilized. Workers who embrace the executive's vision, values, and leadership style are likely to be willing to carry out such judgments, thus helping to ensure that desired outcomes are achieved.

One powerful way for organizational executives to inspire workers is to model universal values and principles, such as those noted by Hosmer (2008): Personal virtues (e.g., honesty, integrity, trustworthiness, openness), religious injunctions (e.g., compassion, kindness, care for one's community), utilitarian benefits (e.g., decisions and actions that lead to the greatest good for the greatest number), universal duties (e.g., treating others with dignity and respect;), distributive justice (equitable fairness), and contributive liberty (e.g., freedom).

Actions that reflect such universal principles are likely to lead to greater trust, loyalty, and commitment from a variety of stakeholders (Freeman et al., 2007; Hosmer, 2008). Decisions and actions that fail to reflect such values and principles – egocentricity and extreme selfishness (Bazerman & Tenbrunsel, 2011), dishonesty, a lack of integrity, openness, and fairness, for example – are more likely to be met with scorn, distrust, and a lack of commitment, loyalty, and effort (Hosmer, 2008).

Implementation of enlightened strategic judgments into principled actions is contingent upon, among various moderators, the executive's ability to mobilize others to act on one's judgments. This requires leadership skills, the subject of the next section.

Leadership skills: A key moderator

Whereas a variety of factors can impact whether enlightened strategic judgments are effectively implemented into principled actions – for instance, the degree to which workers support management, the degree of slack resources needed for implementation, and the norms and strength of the informal organizational culture (Bazerman & Tenbrunsel, 2011) – one particular factor seems most important in helping to facilitate the implementation of enlightened strategic judgments. That key factor is leadership skills.

It should be noted that we are not suggesting that leadership skills be part of the executive wisdom construct, but rather part of a toolkit that enables executives to implement their judgments. Many highly skilled organizational leaders – with outstanding leadership skills – have failed miserably in achieving the kind of sustainable effectiveness detailed here. But with such skills, workers are more likely to be inspired – by, for example, the compelling vision set by the executive – to do their part in helping implement principled actions. More formally, the relationship between enlightened strategic judgments and principled actions is moderated by leadership skills, such that the relationship will be stronger with a higher level of leadership skills (see Figure 1).

The leadership literature is voluminous, multi-faceted, and fragmented. However, we view a few key leadership skills as particularly helpful in facilitating such implementation. For example, some of the literature has described effective leaders as possessing strong social effectiveness skills (e.g., Ferris, Perrewé, & Douglas, 2002), including emotional intelligence (e.g., Goleman, 1995), the capacity to persuade (e.g., Cialdini, 2001), and political skill (e.g., Ferris, Davidson, & Perrewé, 2005). From our vantage, executives who possess and exhibit qualities consistent with several characteristics espoused in theories related to ethical leadership (e.g., Treviño et al., 2000), transformational leadership (e.g., Bass, 1990), and strategic leadership (e.g., Boal & Hooijberg, 2001; Cannella & Monroe, 1997) are more likely to meet with success in mobilizing workers to implement their judgments.

Ethical leaders are able to craft perceptions of themselves as moral persons and as moral managers (Treviño et al., 2000). They are viewed as honest, trustworthy, and fair, and model behaviors that show stakeholders a resolute conviction for integrity – that is, they 'walk the talk' (Treviño et al., 2000) and regularly voice their ethical values (Gentile, 2010). Moreover, wise executives exhibit behaviors consistent with tenets of transformational leadership (e.g., Bass, 1990). Transformational leaders (e.g., Avolio & Bass, 1995; Bass, 1990;) are people capable of influencing others to motivate themselves to accomplish tasks consistent with the leader's vision. Transformational leadership theory posits that such leaders effectively influence others in idealized ways, provide 'individualized

https://doi.org/10.1017/jmo.2013.1 Published online by Cambridge University Press

consideration' to key stakeholders (e.g., employees), have a compelling vision that is inspiring to others, and are intellectually stimulating. A recent addition to transformational leadership theory and relevant to wise executives' moral maturity is 'authentic transformational leadership' (e.g., Bass & Steidlmeier, 1999; Price, 2003), which focuses on behavioral motives and differentiates between ethical and unethical transformational leaders. Authentic transformational leaders possess 'a moral foundation of legitimate values' (Bass & Steidlmeier, 1999, p. 184) and emphasize espoused values (both personal and professional), virtues, character, judgments and behavioral processes that are altruistic, congruent, and 'true to self and others' (Bass & Steidlmeier, 1999, p. 191).

In addition to possessing characteristics of ethical leaders and authentic transformational leaders, effective leaders are also strategic leaders. Proponents of strategic leadership theory (e.g., Boal & Hooijberg, 2001; Cannella & Monroe, 1997) argue that today's organizational leaders typically face increasingly hyper-turbulent organizational environments and, to be effective, they must possess various capacities that enable them to act wisely, such as *absorptive capacity* (e.g., the ability and willingness to continually learn relevant knowledge), *adaptive capacity* (e.g., the ability and willingness to be flexible and change), *managerial wisdom* (which includes discernment and Kairos time – 'the capacity to take the right action at a critical moment'), and *vision* (both industry-specific and market-specific capacity to predict changes in one's organizational environment). Moreover, they must stay continually tuned in to all salient stakeholders and manage the creation of meaning and purpose in (and for) their organizations (Boal & Hooijberg, 2001).

Without such leadership skills, wise executives can still implement their judgments into principled actions, but the path to implementation is more difficult. Next, we look at common outcomes of executive wisdom.

OUTCOMES OF EXECUTIVE WISDOM

Figure 1 illustrates the positive effects that executive wisdom has from making enlightened strategic judgments and principled actions. These include a balanced impact on the 'common good', stakeholder trust and loyalty, worker maximization, and reputational capital. Moreover, long-term financial success is usually secured for those firms successful in achieving these other outcomes, as they lead to sustainable outcomes and, often, competitive advantages. As explained below, these effects can be viewed as interdependent and synergistic, fostering a greater chance of achieving sustainable long-term effectiveness for the individual top manager and for the organization.

Balanced impact on the common good

In his paper on organizational greatness, Khandwalla (1998) suggests, perhaps pejoratively, that the dominant paradigm of corporate performance excellence is 'to win' in the competitive domain. Unfortunately, those who strive solely to win, without regard to impact on stakeholders, too often find themselves degenerating 'into winning at all costs – costs to others as well as organizational stakeholders' (Khandwalla, 1998, p. 168). Indeed, as argued by Greider (2003), purely capitalistic and self-serving pursuits often result in heavy costs to innocent stakeholders:

> The logic of capitalism is ingeniously supple and complete, self-sustaining and forward-looking. Except for one large incapacity: As a matter of principle, it cannot take society's interests into account. The company's balance sheet has no way to recognize costs that are not its own, no reason or method to calculate the future liabilities it causes but that someone else will have to pay. The incentives, in fact, run hard in the opposite direction. The firm will be rewarded with greater returns and higher stock prices if it manages to 'externalize' its true operating costs. It does this by pushing the negative consequences off on someone else: The neighbors who live

> downstream from a factory's industrial pollution or its own workers, who lose job security and pension rights, or the community left with an empty factory, shattered lives, a ruined environment. (Greider, 2003, p. 39)

Of course, there are notable exceptions to Grieder's (2003, p. 48) dark capitalistic picture, and he offers 'conviction that American capitalism can be made to conform … faithfully to society's broad values'. Certainly, some executives have learned that winning *at any cost* is not winning at all. They believe that sustainable competitive advantage comes from actions that reflect a sensitive and balanced impact on both direct and indirect stakeholders. In doing so, these wise executives help their firms approach organizational greatness (Khandwalla, 1998).

In strategy making, wise executives delicately balance the needs and interests of a wide variety of stakeholders in order to achieve long-term sustained competitive advantage (Bierly & Kolodinsky, 2007). Certainly, the marked increase in corporate social responsibility (CSR) practices and the lasting popularity of stakeholder-related theories (e.g., Freeman, Harrison, Wicks, Parmar, & de Colle, 2010; Jensen, 2002) provides some measure of validation of these concerns. In addition, Sternberg's (1998, 2000, 2003) balance theory of wisdom is helpful in this context. The balance theory of wisdom suggests that wise organizational leaders ' … skillfully balance interests of various kinds, including their own, those of their followers, and those of the organization for which they are responsible' (Sternberg, 2003, p. 395). The balance theory of wisdom 'specifies the processes (balancing of interests and of responses to environmental contexts) in relation to the goal of wisdom (achievement of a common good)' (Sternberg, 2000, p. 638; parentheses in original). More than just expert knowledge and know how, wisdom is 'relevant to the attainment of particular goals people value, not just any goals, but rather, a balance of responses to the environment – adapting, shaping, and selecting – so as to achieve a common good for all relevant stakeholders' (Sternberg, 2000, p. 638).

Whereas profit-maximization and shareholder value are important concerns, organizations that also focus on the 'common good' – in their product or service offerings, in their treatment of workers, in socially responsive actions, and in the manner in which the community benefits from the organization – create goodwill and positive synergies that often help them outperform, in the long-term, firms focused mainly on financial ends (e.g., Becker & Huselid, 1998; Collins & Porras, 1994; Eclles, Ioannou, & Serafeim, 2012; Pfeffer, 2003). Hence, it appears to be *unwise* to focus organizational strategies solely on profit-maximization or shareholder value – ultimately, most stakeholders want to feel connected to an organization in ways other than simply financial performance (Freeman et al., 2010; Pfeffer, 2003).

To the degree that leadership is focused on such issues as profits over relationships, financial performance over people and society, extrinsic over intrinsic values and motivations, money more than principles, short-term performance more than long-term effectiveness, and what is best for self versus what is best for the common good, then leadership will fail to make wise decisions and judgments. Moreover, such materially focused executives will behave in ways that reflect their short-term, selfish desires (Callahan, 2006), and will fail to act as principled role models that help workers develop in ways that serve their needs (Covey, 1990). Profit-focused executives unwittingly send the message to stakeholders that money is more important than people. Alternatively, wise executives send the message that a people-oriented focus rather than money is the best strategy for long-term sustained competitive advantage (Pfeffer, 2003).

Stakeholder trust and loyalty

Wise executives are trustworthy and inspire a feeling of trust in stakeholders, and stakeholders respond to such executives with greater loyalty (e.g., McKee, 2003). Since 'trust is the foundation for building and maintaining human relationships' (Elm, 2003, p. 281), and since businesses thrive or die based on their relationships with various stakeholders, one might think that doing everything possible to develop and keep trust would be paramount for top managers. Sadly, this is often not the case. For a variety of reasons, from business scandals to egregious CEO pay to insensitive layoff processes, trust in individuals and institutions – particularly business institutions and the executives who run them – appears to be on the decline (e.g., Fukuyama, 1995; McKee, 2003). Putnam (2000) found that just 40% of Americans born in the 1970s believe that most people are honest. Perhaps even more striking is the recent finding that Americans have 'complete confidence' in the moral decision-making of just 3% of business executives (Barna Research Online, 2002; found in Maxwell, 2003). This is substantially lower than previous generations and indicative of the degeneration of trust in the US (McKee, 2003).

Executives today have an opportunity to stand out from their counterparts by being trustworthy, honest, and integrated – attributes strongly related to the development of trust. As argued by Elm (2003), it is difficult to separate trust from honesty and integrity. Certainly, it is difficult if not impossible to trust someone who is dishonest, who fails to fulfill a promise, and who betrays. Alternatively, it is easier to trust someone who consistently tells the truth and whose actions follow their words and values, particularly when such actions show moral sensitivity to others. As stated by Fukuyama (1995), 'trust arises when a community shares a set of moral values in such a way as to create expectations of regular and honest behavior'.

It is up to today's business executives to create the kind of business environment that fosters trust. This starts with being trustworthy and honest in all interactions. Further, fostering a work climate characterized by honesty, openness, and caring all contribute to trust. As executives model such attributes, workers, customers, and other stakeholders respond in kind (e.g., McKee, 2003). Such 'trust reciprocity' creates a holistic spiraling effect that makes it much easier and faster (Covey, 2004) for all to transact, with less need for 'detailed contract development, policing of contract implementation, and dispute resolution' (McKee, 2003, p. 71). Thus, executives' enlightened judgments and consistently principled actions create a holistic trust that is enduring and positively impactful.

As wise executives build trust and make strategic judgments that exhibit sensitivity to stakeholder needs, stakeholders respond with greater loyalty. As noted above, internal stakeholders such as employees are more likely to respond to wise and principled behavior with higher trust, commitment, and effort (Hosmer, 2008). External stakeholders, such as customers, for example, are proud to use products from a principled company – witness the growth of firms with a principled, shared value approach such as Whole Foods, New Belgium Brewing, and Nestlé (e.g., Porter & Kramer, 2011). One way that customer loyalty is developed is by having loyal, long-term committed employees (e.g., Pfeffer, 2003). Firms with stable, loyal workforces tend to foster more loyal customers, which have been found related to superior financial performance (e.g., Reichheld, 1996). To develop loyal workforces and thus reap the related benefit of more loyal customers, top managers must show that they care. As suggested by McKee (2003, p. 67), 'An organization's caring for its employees is the foundation for employee caring for customers. Employees treat customers in the way that they feel management is treating them'.

Another direct path to stakeholder loyalty is through worker trustworthiness, honesty, and integrity, attributes that help reduce the costs of exchange in business relationships (McKee, 2003). Lennick and Kiel (2005) offer numerous examples of executives whose honesty and integrity resulted in greater stakeholder loyalty and, as a result, increased long-term effectiveness. In one prominent case, a large advertising and marketing firm, Young & Rubicam (Y & R), was asked to bid on the marketing of a proposed new line of products for a large diversified global company, Warner Lambert. Applying their knowledge, experience, and moral maturity, the Y & R team decided after much deliberation that the new product line was in fact a bad idea for Warner Lambert to consider.

They gave Warner Lambert their reasoning, and in essence turned down the opportunity to win a new client. Or so they thought. Just a few weeks later, Warner Lambert called to tell the Y & R team that they agreed with its analysis, stating, 'No other agency was smart enough or honest enough to tell us, but you did. We have decided not to launch the line. Because of your honesty, though, we are going to give you some other business with us, and you won't have to compete for it' (Lennick & Kiel, 2005, p. *xxxv*).

Worker maximization

When enlightened judgments and principled actions by top managers become the norm in an organization, workers respond with increased trust, motivation, commitment, effort, loyalty, and productivity as they come to recognize that management decision-making takes into account their needs and values (Hosmer, 2008). When this occurs, staffing issues are less cumbersome, as fewer workers tend to leave an organization that clearly cares for them, and outside candidates clamor to join such a unique firm. Such desirable outcomes can be attributed in part to top management's attention to the needs of workers that come about naturally through the executive's moral maturity and reciprocally through worker recognition of top management's commitment to them (Pfeffer, 2003).

To the degree that organizational leaders are attending to (and meeting) workers' needs, they have the opportunity to build a workplace that demonstrates to workers that the whole person matters – not just work tasks. Such people-centered caring promotes 'fit' and trust, freeing workers to maximize their value at work, and hence their performance (e.g., Hosmer, 2008; Pfeffer, 2003). Moreover, attending to worker needs helps organizational leaders foster a culture that enables workers to develop a sense of purpose at work and an underlying feeling of unity (Hosmer, 2008; Khandwalla, 1998), all of which aids productivity.

Reputational capital

Wise executives (and the organizations they run) enjoy strong reputational benefits that endure even in hard times. Reputation can be viewed as 'a perceptual identity reflective of the complex combination of salient … characteristics and accomplishments, demonstrated behavior, and intended images presented over some period of time as observed directly and/or as reported from secondary sources' (Ferris, Blass, Douglas, Kolodinsky, & Treadway, 2003, p. 215). Further, reputation is commonly seen as affecting customer decision-making under conditions of incomplete information (e.g., Kreps & Wilson, 1982) and as being 'collective judgments of … overall character' (Hannon & Milkovich, 1996, p. 408) with the potential to be a valuable, inimitable, and intangible resource that can affect sustained competitive advantage (e.g., Barney, 1991; Dollinger, Golden, & Saxton, 1997; Ferris et al., 2003). Indeed, reputation is commonly mentioned as an influential factor in prominent theories relevant to organizations, including game-theory (e.g., Ching, Holsapple, & Whinston, 1992), agency theory (e.g., Wernerfelt, 1984), and the resource-based view of the firm (e.g., Barney, 1991; Fombrun & Shanley, 1990). In the current context, we suggest that when top managers make enlightened judgments that reflect knowledge, experience, and moral maturity, positive reputational capital builds.

Reputational capital can be viewed as a valuable and intangible asset that accrues to those (individuals or organizations) that have stockpiled 'idiosyncrasy credits' (Hollander, 1958) that encourage salient others to give the 'benefit of doubt' (Greenberg, 1990) to holders of such capital. Wise executives are aware that reputation has 'informational, predictive, and trust-enhancing value' (Ferris et al., 2003, p. 220) and seek to actively manage it – indeed, influence it – through signaling activities (Fombrun, 1996; Fombrun & Shanley, 1990). As suggested by Fombrun (1996), 'reputation management is so critical to organizational success that it must be coordinated and integrated with traditional corporate functions such as human relations, finance, and operations'

https://doi.org/10.1017/jmo.2013.1 Published online by Cambridge University Press

(found in Ferris et al., 2003, p. 221). Similarly, Alsop (2004) asserts that reputation can be a corporation's most valuable asset, and Petrick, Scherer, Brodzinski, Quinn, and Ainina (1999, p. 60) suggest that continuous leadership attention should be given to organizational reputation 'in order to maximize their [firms'] socioeconomic and moral status'.

An excellent example of principled actions by executives leading to reputational capital is the way Randall L. Tobias and Sidney Taurel of Eli Lilly developed fair practices and guidelines for dealing with strategic partners over the last 20 years. They continually stressed the importance of integrity and instituted alliance management training in communications and conflict resolution (Gomes-Casseres, 2005). Lilly developed an excellent reputation for dealing fairly with their partners, especially small biotechnology companies, and became the 'partner of choice' for many of the most promising small research firms. Lilly's reputational capital led to the development of new drugs with partners that chose Lilly over the other large pharmaceutical firms that also coveted them.

Long-term financial success

Wise executives are different from profit-driven executives in part because they seek to maximize *both* organizational effectiveness and a positive impact on society. Profit-driven executives are primarily focused on satisfying the demands of the shareholders, who often demand short-term profitability. Drastic actions to maximize short-term profits cut too much 'organizational muscle' and cause 'corporate anorexia', which is damaging to long-term profits (Hamel & Prahalad, 1994). For example, reductions in R&D spending initially can boost short-term profits, but could be devastating to the long-term strategic position of a firm. A related shortcoming of profit-driven executives is that the needs of people in the organization are subservient to profitability metrics. People in such organizations are not treated as the most important resources (even though they are frequently told they are), and too often are targeted as an expense that can be further trimmed to nudge up short-term profits.

Executive wisdom guides top managers to not only focus on financial reward, strategic impacts (e.g., Bierly & Kolodinsky, 2007), and organizational success, but also on true caring for workers and all stakeholders and improvement of society. The results of this approach include that employees respond with increased commitment, loyalty, and motivation, all leading to greater productivity and reduced organizational withdrawal (Hosmer, 2008). Potential job candidates will find such an organization attractive and an energizing place to work, allowing the organization to hire superior employees. Customers will have a stronger attachment and loyalty to an organization that is trustworthy and that attempts to positively impact society.

The long-term sustained health of the organization is better ensured by a wisdom-based approach as both internal and external stakeholders, including suppliers and alliance partners, value the relationship-building model fostered by this approach. We suggest that reputational advantages will also accrue, based in part on a proactive desire to be involved in one's community, and to be ethically sound and socially responsible. We further suggest that each of these positive outcomes of executive wisdom is sustainable over a long time period and is difficult for others to imitate. Thus, we believe that the outcomes of executive wisdom will lead to sustainable competitive advantages and long-term financial success.

CONCLUSION AND IMPLICATIONS

Wise executives share several characteristics in making and implementing strategic judgments. They utilize intentionally accumulated and pertinent explicit knowledge to help them gather the data necessary to make informed decisions. They also rely on experience, codified as tacit knowledge, which facilitates use of their intuition, which has been shown to facilitate decision-making

https://doi.org/10.1017/jmo.2013.1 Published online by Cambridge University Press

(e.g., Blattberg & Hoch, 1990; Simon, 1987). Having moral maturity fosters a principled approach to organizational leadership that keeps executives focused on making decisions that reflect careful consideration of salient stakeholders (e.g., Freeman et al., 2010). By sensitively attending to morality and universal principles, they build an organizational eco-system based on mutual trust, shared value, and synergistic reciprocity, all of which combine to aid long-term organizational effectiveness and improve the probability of leaving a positive legacy that has a lasting influence on stakeholders.

Moreover, relying on reflective strategic decision-making processes that facilitates use of knowledge and avoidance of prior mistakes helps executives achieve results that reflect intentional consideration of short- and long-term impacts on both social and financial performance of one's organization. Further, in high-velocity and turbulent environments especially (Eisenhart, 1998), ambiguity and uncertainty make efficacious decision-making difficult. Wise executives understand the importance of reflecting on past experiences, and flexibly consider how to deal with incomplete information by, for instance, developing scenarios and pondering alternative ways to solving complex and ambiguous problems. The combination of these characteristics and decision-making processes helps provide the top manager with a principles-centered decision-making framework against which the costs and benefits of one's decisions may be measured. Armed with pertinent knowledge, moral maturity, and the ability to be intentionally reflective and forward-looking, and by taking action to help manage uncertainty, wise executives are more likely than their counterparts to make strategic judgments that sensitively consider the needs and concerns of stakeholders and, thus, make decisions that help sustain organizational effectiveness. We are hopeful that the main arguments developed in this paper will help improve managers' understanding of how to become a wise executive and to realize the benefits of doing so.

From an empirical perspective, research on managerial and organizational wisdom has unfortunately not been very productive. Despite some excellent quantitative measurement progress by researchers outside of the field of management (e.g., Baltes & Staudinger, 1993; Staudinger & Glück, 2011; see Heaton, Schmidt-Wilk, & Travis (2004) for a summary of quantitative attempts to measure wisdom), the research focus in organizations and business management has overwhelmingly been theoretical. Sternberg (2008) and others have argued that wisdom is empirically testable and a handful of organizational researchers have previously attempted to use wisdom as a useful survey construct in the management literature, but their research has not developed into a coherent stream of literature. Hopefully, the theoretical model developed in this paper will help to synthesize this broad research area, serve as a guide for better understanding this complex construct, and be used as the foundation of an empirical studies of wisdom in organizational settings. Interestingly, other researchers such as Malan and Kriger (1998) have argued that the study of wisdom and other complex constructs needs to move away from survey-based research and focus more on ethnographic studies of single firms that will provide rich, detailed data. They suggest that attempts to empirically measure wisdom have resulted too often in simplifying the construct and thus negating the goal of understanding its complexity, whereas qualitative research can be used to expand the complexity and comprehensiveness of the topic. Hopefully, theoretical models like that in this article can be used to help guide both quantitative and qualitative research, ans that such research can be used to further illustrate the importance of understanding executive wisdom.

References

Alsop, R. J. (2004). *The 18 immutable laws of corporate reputation: Creating, protecting, and preparing your most valuable asset*. New York, NY: Free Press.

Ardelt, M. (2003). Empirical assessment of a three-dimensional wisdom scale. *Research on Aging*, *25*(3), 275–324.

Avolio, B. J., & Bass, B. M. (1995). Individual consideration viewed at multiple levels of analysis: A multi-framework for examining the diffusion of transformational leadership. *Leadership Quarterly*, *6*, 188–218.

Baltes, P. B., & Staudinger, U. M. (1993). The search for a psychology of wisdom. *Current Directions in Psychological Science*, *2*, 75–80.

Baltes, P. B., & Staudinger, U. M. (2000). Wisdom: A metaheuristic (pragmatic) to orchestrate mind and virtue toward excellence. *American Psychologist*, *55*(1), 122–136.

Barna Research Online. (2002). *Americans speak: Enron, WorldCom and others are result of inadequate moral training by families*. Retrieved from http://www.barna.org/barna-update/article/5-barna-update/78-americans-speak-enron-worldcom-and-others-are-result-of-inadequate-moral-training-by-families

Barnard, C. I. (1938). *The functions of the executive*. Cambridge, MA: Harvard University Press.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, *17*, 99–119.

Barrick, M. R., & Mount, M. K. (1991). The big five personality dimensions and job performance: A meta-analysis. *Personnel Psychology*, *44*, 1–26.

Bartunek, J. M., & Louis, M. R. (1988). The design of work environments to stretch managers' capacities for complex thinking. *Human Resources Planning*, *16*(7), 13–22.

Bartunek, J. M., & Trullen, J. (2007). The virtue of prudence. In E. H. Kessler & J. R. Bailey (Eds.), *Handbook of organizational and managerial wisdom* (pp. 91–108). Thousand Oaks, CA: Sage.

Bass, B. M. (1990). *Bass & Stogdill's handbook of leadership: Theory, research, and managerial applications*. New York, NY: Free Press.

Bass, B. M., & Steidlmeier, P. (1999). Ethics, character and authentic transformational leadership behavior. *The Leadership Quarterly*, *10*, 181–218.

Bazerman, M. H., & Tenbrunsel, A. E. (2011). *Blind spots: Why we fail to do what's right and what to do about it*. Princeton, NJ: Princeton University Press.

Becker, B., & Huselid, M. (1998). High performance work systems and firm performance: A synthesis of research and managerial implications. In G. Ferris (Ed.), *Research in personnel and human resource management* (pp. 53–101). Stamford, CT: JAI Press.

Bennis, W. (1999). The leadership advantage. *Leader to Leader*, *12*, 18–23.

Beyer, J. M., & Nino, D. (1998). Facing the future: Backing courage with wisdom. In S. Srivastva & D. L. Cooperrider (Eds.), *Organizational wisdom and executive courage* (pp. 65–97). San Francisco, CA: The New Lexington Press.

Bierly, P. E., & Gallagher, S. (2007). Explaining alliance partner selection: Fit, trust and strategic expediency. *Long Range Planning*, *40*, 134–153.

Bierly, P. E., Kessler, E. H., & Christensen, E. W. (2000). Organizational learning, knowledge, and wisdom. *Journal of Organizational Change Management*, *13*, 596–618.

Bierly, P. E., & Kolodinsky, R. W. (2007). Toward a wisdom-based approach to strategic management. In E. H. Kessler & J. R. Bailey (Eds.), *Handbook of organizational and managerial wisdom* (pp. 61–88). Thousand Oaks, CA: Sage.

Birren, J. E., & Fisher, L. M. (1990). The elements of wisdom: Overview and integration. In R. J. Sternberg (Ed.), *Wisdom – Its nature, origins and development* (pp. 317–332). New York, NY: Cambridge University Press.

Birren, J. E., & Svensson, C. M. (2005). Wisdom in history. In R. J. Sternberg & J. Jordan (Eds.), *A handbook of wisdom: Psychological perspectives* (pp. 3–31). New York, NY: Cambridge University Press.

Blattberg, R. C., & Hoch, S. J. (1990). Database models and managerial intuition: 50% model +50% manager. *Management Science*, *36*, 887–900.

Boal, K. B., & Hooijberg, R. (2001). Strategic leadership research: Moving on. *Leadership Quarterly*, *11*, 515–549.

Boyatzis, R. E. (2007). Emotional and social intelligence competencies are wisdom in practice. In E. H. Kessler & J. R. Bailey (Eds.), *Handbook of organizational and managerial wisdom* (pp. 223–242). Thousand Oaks, CA: Sage.

Brewer, L., Chandler, R., & Ferrell, O. C. (2006). *Managing risks for corporate integrity: How to survive an ethical misconduct disaster*. Mason, OH: Thomson.

Brown, S. C. (2004). Learning across campus: How college facilitates the development of wisdom. *Journal of College Student Development*, *45*, 134–148.

Brugman, G. M. (2006). Wisdom and aging. In J. E. Birren & K. W. Schaie (Eds.), *Handbook of the psychology of aging* (6th ed., pp. 445–476). Amsterdam, Netherlands: Academic Press.

https://doi.org/10.1017/jmo.2013.1 Published online by Cambridge University Press

Burleson, B. R., & Caplan, S. E. (1998). Cognitive complexity. In J. C. McCroskey, J. A. Daly, M. M. Martin, & M. J. Beatty (Eds.), *Communication and personality: Trait perspectives* (pp. 233–286). Creskill, NJ: Hampton Press.

Callahan, D. (2004). *The cheating culture: Why more Americans are doing wrong to get ahead*. Orlando, FL: Harcourt.

Callahan, D. (2006). *The moral center: How we can reclaim our country from die-hard extremists, rogue corporations, Hollywood hacks, and pretend patriots*. Orlando, FL: Harcourt.

Cannella, A. A. Jr, & Monroe, M. J. (1997). Contrasting perspectives on strategic leaders: Toward a more realistic view of top managers. *Journal of Management*, *23*, 213–237.

Carter, J. (2005). *Our endangered values: America's moral crisis*. New York, NY: Simon and Schuster.

Ching, C., Holsapple, C. W., & Whinston, A. B. (1992). Reputation, learning, and coordination in distributed decision-making contexts. *Organization Science*, *3*(2), 275–297.

Cialdini, R. B. (2001). *Influence: Science and practice* (Vol 4). Boston, MA: Allyn and Bacon.

Collins, J., & Porras, J. (1994). *Built to last: Successful habits of visionary companies*. New York, NY: Harper Business.

Cook, S. D. N., & Brown, J. S. (1999). Bridging epistemologies: The generative dance between organizational knowledge and organizational knowing. *Organization Science*, *10*, 381–400.

Covey, S. (1990). *Principle-centered leadership*. New York, NY: Simon and Schuster.

Covey, S. R. (2004). *The 8th habit: From effectiveness to greatness*. New York, NY: Free Press.

Csikszentmihalyi, M., & Nakamura, J. (2005). The role of emotions in the development of wisdom. In R. J. Sternber & J. Jordon (Eds.), *A handbook of wisdom: Psychological perspectives* (pp. 220–242). New York, NY: Cambridge University Press.

DeNisi, A. S., & Belsito, C. A. (2007). Wisdom and human resource management. In E. H. Kessler & J. R. Bailey (Eds.), *Handbook of organizational and managerial wisdom* (pp. 261–273). Thousand Oaks, CA: Sage.

Detert, J. R., Treviño, L. K., & Sweitzer, V. L. (2008). Moral disengagement in ethical decision-making: A study of antecedents and outcomes. *Journal of Applied Psychology*, *92*, 374–391.

DiFonzo, N., & Bordia, P. (1998). A tale of two corporations: Managing uncertainty during organizational change. *Human Resource Management*, *37*, 295–303.

Digman, J. M. (1990). Personality structure: Emergence of the five-factor model. *Annual Review of Psychology*, *41*, 417–440.

Dollinger, M. J., Golden, P. A., & Saxton, T. (1997). The effect of reputation on the decision to joint venture. *Strategic Management Journal*, *18*, 127–140.

Dreyfus, H. (1990). *What is moral maturity? A phenomenological account of the development of ethical expertise*. Retrieved from http://socrates.berkeley.edu/ ~ hdreyfus/rtf/Moral_Maturity_8_90.rtf

Dunne, J. (1997). Professional judgment and the predicaments of practice. *European Journal of Marketing*, *33*, 707–720.

Eclles, R. G., Ioannou, I., & Serafeim, G. (2012). The impact of a corporate culture of sustainability on corporate behavior and performance. *Harvard Business School Working Paper 12-035*. Retrieved from http://www.hbs.edu/research/pdf/12-035.pdf

Eisenhart, K. (1998). Making fast strategic decisions in high velocity environments. *Academy of Management Journal*, *32*, 543–576.

Elm, D. R. (2003). Honesty, spirituality, and performance at work. In R. A. Giacalone & C. L. Jurkiewicz (Eds.), *Handbook of workplace spirituality and organizational performance* (pp. 277–288). New York, NY: ME Sharpe.

Erikson, E. H. (1950). *Childhood and society*. New York, NY: Norton & Company.

Ferris, G. R., Blass, F. R., Douglas, C., Kolodinsky, R. W., & Treadway, D. C. (2003). Personal reputation in organizations. In J. Greenberg (Ed.), *Organizational behavior: The state of the science* (2nd ed., pp. 211–246). Mahwah, NJ: Lawrence Erlbaum.

Ferris, G. R., Davidson, S. L., & Perrewé, P. L. (2005). *Political skill at work: Impact on work effectiveness*. Mountain View, CA: Davies-Black Publishing.

Ferris, G. R., Perrewé, P. L., & Douglas, C. (2002). Social effectiveness in organizations: Construct validity and research directions. *Journal of Leadership and Organizational Studies*, *9*, 49–63.

Fombrun, C. J. (1996). *Reputation: Realizing value from the corporate image*. Boston, MA: Harvard Business School Press.

Fombrun, C. J., & Shanley, M. (1990). What's in a name? Reputation building and corporate strategy. *Academy of Management Journal*, *33*, 233–258.

https://doi.org/10.1017/jmo.2013.1 Published online by Cambridge University Press

Forsyth, D. R. (1992). Judging the morality of business practices: The influence of personal moral philosophies. *Journal of Business Ethics*, *11*, 461–470.

Freeman, R. E., Dunham, L., & McVea, J. (2007). Strategy, wisdom, and stakeholder theory: A pragmatic and entrepreneurial view of stakeholder strategy. In E. H. Kessler & J. R. Bailey (Eds.), *Handbook of organizational and managerial wisdom* (pp. 151–177). Thousand Oaks, CA: Sage.

Freeman, R. E., Harrison, J. S., Wicks, A. C., Parmar, B. L., & de Colle, S. (2010). *Stakeholder theory: The state of the art*. Cambridge, England: Cambridge University Press.

Fry, L. W. (2003). Toward a theory of spiritual leadership. *The Leadership Quarterly*, *14*, 693–727.

Fukuyama, F. (1995). *Trust – The social virtues and the creation of prosperity*. New York, NY: Simon and Schuster.

Gentile, M. C. (2010). *Giving voice to values: How to speak your mind when you know what's right*. New Haven, CT: Yale University Press.

Giacalone, R. A., & Jurkiewicz, C. L. (2003). *Handbook of workplace spirituality and organizational performance*. Armonk, NY: ME Sharpe.

Gilovich, T., Griffin, D., & Kahneman, D. (2002). *Heuristics and biases: The psychology of intuitive judgment*. Cambridge, England: Cambridge University Press.

Gioia, D. A. (2007). Interpretive wisdom. In E. H. Kessler & J. R. Bailey (Eds.), *Handbook of organizational and managerial wisdom* (pp. 277–294). Thousand Oaks, CA: Sage.

Glück, J., & Buck, S. (2007). Looking back across the lifespan: A life story account of the reminiscence bump. *Memory and Cognition*, *13*, 1928–1939.

Goleman, D. P. (1995). *Emotional intelligence: Why it can matter more than IQ for character, health and lifelong achievement*. New York, NY: Bantam Books.

Gomes-Casseres, B. (2005). Outsource, don't abdicate. *CIO Magazine*, *19*(1), 36–39.

Grant, R. M. (1996). Toward a knowledge-based theory of the firm. *Strategic Management Journal*, *17*(Winter Special Issue), 109–121.

Greenberg, J. (1990). Looking fair versus being fair: Managing impressions of organizational behavior. In B. M. Staw & L. L. Cummings (Eds.), *Research in organizational behavior* (Vol. 12, pp. 111–167). Greenwich, CT: JAI Press.

Greene, J. A., & Brown, S. C. (2009). The wisdom development scale: Further validity investigations. *International Journal of Aging and Human Development*, *68*(4), 289–320.

Greider, W. (2003). *The soul of capitalism: Opening paths to a moral economy*. New York, NY: Simon & Schuster.

Hamel, G. M., & Prahalad, C. K. (1994). *Competing for the future*. Boston, MA: Harvard Business School Press.

Hannon, J. M., & Milkovich, G. T. (1996). The effect of human resource reputation signals on share prices: An event study. *Human Resource Management*, *35*, 405–424.

Heaton, D. P., Schmidt-Wilk, J., & Travis, F. (2004). Constructs, methods and measures for researching spirituality in organizations. *Journal of Organizational Change Management*, *17*, 62–82.

Hollander, E. P. (1958). Conformity, status, and idiosyncrasy credit. *Psychological Review*, *65*, 117–127.

Hosmer, L. T. (2008). *The ethics of management* (6th ed.). New York, NY: McGraw-Hill.

Jensen, M. C. (2002). Value maximization, stakeholder theory, and the corporate objective function. *Business Ethics Quarterly*, *12*, 235–256.

Jordan, J., & Sternberg, R. J. (2007). Wisdom in organizations: A balance theory analysis. In E. H. Kessler & J. R. Bailey (Eds.), *Handbook of organizational and managerial wisdom* (pp. 3–19). Thousand Oaks, CA: Sage.

Kahneman, D., & Tversky, A. (Eds.). (2000). *Choices, values, and frames*. New York, NY: Cambridge University Press.

Karelitz, T. M., Jarvin, L., & Sternberg, R. J. (2010). The meaning of wisdom and its development throughout life. In R. M. Lerner & W. F. Overton (Eds.), *The handbook of life-span development* (Vol. 1: Cognition, Biology, and Methods, pp. 781–837). Hoboken NJ: Wiley.

Kasser, T. (2002). *The high price of materialism*. Cambridge, MA: MIT Press.

Kessler, E. H., & Bailey, J. R. (Eds.). (2007). *Handbook of organizational and managerial wisdom*. Thousand Oaks, CA: Sage.

Khandwalla, P. N. (1998). Thorny glory: Toward organizational greatness. In S. Srivastva & D. L. Cooperrider (Eds.), *Organizational wisdom and executive courage* (pp. 157–204). San Francisco, CA: The New Lexington Press.

Klein, G. (2003). *Intuition at work: Why developing your gut instincts will make you better at what you do*. New York, NY: Currency Doubleday.

Kohlberg, L. (1969). *Stages in the development of moral thought and action*. New York, NY: Holt, Rinehart and Winston.

Kohlberg, L. (1983). *The psychology of moral development*. New York, NY: Harper and Row.
Kolb, D. (1984). *Experiential learning: Experience as the source of learning and development*. Englewood Cliffs, NJ: Prentice-Hall.
Kreps, D. M., & Wilson, R. (1982). Reputation and imperfect information. *Journal of Economic Theory*, *27*, 253–279.
Kunzmann, U., & Baltes, P. B. (2003). Wisdom-related knowledge: Affective, motivational, and interpersonal correlates. *Personality and Social Psychology Bulletin*, *29*, 1104–1119.
Lawrence, P. R. (2007). Institutionalizing wisdom in organizations. In E. H. Kessler & J. R. Bailey (Eds.), *Handbook of organizational and managerial wisdom* (pp. 43–60). Thousand Oaks, CA: Sage.
Lennick, D., & Kiel, F. (2005). *Moral intelligence: Enhancing business performance and leadership success*. Upper Saddle River, NJ: Wharton Business Press.
Life Application Bible. (1991). *New living translation* (2nd ed.). Wheaton, IL: Tyndale House Publishers.
Limas, M. J., & Hansson, R. O. (2004). Organizational wisdom. *International Journal of Aging and Human Development*, *59*(2), 85–103.
Malan, L. C., & Kriger, M. P. (1998). Making sense of managerial wisdom. *Journal of Management Inquiry*, *7*(3), 242–251.
Mathieson, K., & Miree, C. E. (2003). Illuminating the invisible: IT and self-discovery in the workplace. In R. A. Giacalone & C. L. Jurkiewicz (Eds.), *Handbook of workplace spirituality and organizational performance* (pp. 461–474). New York, NY: ME Sharpe.
Maxwell, J. C. (2003). *There's no such thing as 'business' ethics: There's only one rule for making decisions*. New York, NY: Warner Books.
McKee, D. (2003). Spirituality and marketing: An overview of the literature. In R. A. Giacalone & C. L. Jurkiewicz (Eds.), *Handbook of workplace spirituality and organizational performance* (pp. 57–75). New York, NY: ME Sharpe.
McKenna, B., Rooney, D., & Boal, K. B. (2009). Wisdom principles as a meta-theoretical basis for evaluating leadership. *The Leadership Quarterly*, *20*, 177–190.
Meacham, J. A. (1983). Wisdom and the context of knowledge: Knowing that one doesn't know. In D. Kuhn & A. Meacham (Eds.), *On the development of of developmental psychology* (pp. 111–134). Basel, Switzerland: Karger.
Meacham, J. A. (1990). The loss of wisdom. In R. J. Sternberg (Ed.), *Wisdom: Its nature, origins, and development* (pp. 181–211). New York, NY: Cambridge University Press.
Meeks, T. W., & Jeste, D. V. (2009). Neurobiology of wisdom: An overview. *Archives of General Psychiatry*, *66*, 355–365.
Nonaka, I. (1994). A dynamic theory of organizational knowledge creation. *Organization Science*, *5*, 14–37.
Petrick, J. A., Scherer, R. F., Brodzinski, J. D., Quinn, J. F., & Ainina, M. F. (1999). Global leadership skills and reputational capital: Intangible resources for sustainable competitive advantage. *Academy of Management Executive*, *13*(1), 58–69.
Pfeffer, J. (2003). Business and the spirit: Management practices that sustain values. In R. A. Giacalone & C. L. Jurkiewicz (Eds.), *Handbook of workplace spirituality and organizational performance* (pp. 29–45). New York, NY: ME Sharpe.
Polanyi, M. (1966). *The tacit dimension*. London, England: Routledge & Kegan Paul.
Porter, M. E., & Kramer, M. R. (2011). Creating shared value. *Harvard Business Review*, *89*(1/2), 62–77.
Price, T. (2003). The ethics of authentic transformational leadership. *Leadership Quarterly*, *14*, 67–81.
Putnam, R. D. (2000). *Bowling alone: The collapse and revival of American community*. New York, NY: Simon and Schuster.
Reichheld, F. F. (1996). *The loyalty effect*. Boston, MA: Harvard Business School Press.
Rooney, D., & McKenna, B. (2007). Wisdom in organizations: Whence and whither. *Social Epistemology*, *21*, 113–138.
Schein, E. H. (1996). Three cultures of management: The key to organizational learning. *Sloan Management Review*, *38*, 9–20.
Schwerin, E. (1998). Transformative research and teaching. In S. Woolpert, C. D. Slaton, & E. W. Schwerin (Eds.), *Transformational politics* (pp. 91–118). New York, NY: State University of New York.
Senske, K. (2004). *Personal values: God's game plan for life*. Minneapolis, MN: Augsburg Books.
Simon, H. A. (1987). Making management decisions: The role of intuition and emotion. *The Academy of Management Executive*, *1*(1), 57–64.

https://doi.org/10.1017/jmo.2013.1 Published online by Cambridge University Press

Spender, J. C. (1996). Making knowledge the basis of a dynamic theory of the firm. *Strategic Management Journal*, *17*(Winter Special Issue), 45–62.
Staudinger, U. M. (2001). Life reflection: A social-cognitive analysis of life review. *Review of General Psychology*, *5*, 148–160.
Staudinger, U. M., & Glück, J. (2011). Psychological wisdom research: Commonalities and differences in a growing field. *Annual Review of Psychology*, *62*, 19.11–19.27.
Staudinger, U. M., Maciel, A. G., Smith, J., & Baltes, P. B. (1998). What predicts wisdom-related performance? A first look at personality, intelligence, and facilitative experiential contexts. *European Journal of Personality*, *12*(1), 1–17.
Sternberg, R. J. (1990). *Wisdom: Its nature, origins, and development*. New York, NY: Cambridge University Press.
Sternberg, R. J. (1997). Managerial intelligence: Why IQ isn't enough. *Journal of Management*, *23*, 475–493.
Sternberg, R. J. (1998). A balance theory of wisdom. *Review of General Psychology*, *2*, 347–365.
Sternberg, R. J. (2000). Intelligence and wisdom. In R. J. Sternberg (Ed.), *Handbook of intelligence* (pp. 631–649). New York, NY: Cambridge University Press.
Sternberg, R. J. (2003). *Wisdom, intelligence, and creativity synthesized*. New York, NY: Cambridge University Press.
Sternberg, R. J. (2008). The WICS approach to leadership: Stories of leadership and the structures and processes that support them. *Leadership Quarterly*, *19*, 360–371.
Streufert, S., & Swezey, R. W. (1986). *Complexity, managers, and organizations*. New York, NY: Academic Press.
Thompson, C. M. (2000). *The congruent life: Following the inward path to fulfilling work and inspired leadership*. San Francisco, CA: Jossey-Bass.
Treviño, L. K., Brown, M., & Hartman, L. P. (2003). A qualitative investigation of perceived executive ethical leadership: Perceptions from inside and outside the executive suite. *Human Relations*, *56*, 5–37.
Treviño, L. K., Hartman, L. P., & Brown, M. (2000). Moral person and moral manager. *California Management Review*, *42*(4), 128–142.
Wang, P., & Chan, P. S. (1995). Top management perception of strategic information processing in a turbulent environment. *Leadership & Organization Development Journal*, *16*(7), 33–43.
Webster, J. D. (2007). Measuring the character strength of wisdom. *International Journal of Aging and Human Development*, *65*(2), 163–183.
Webster, N., & McKechnie, J. (Eds.). (1961). *Webster's new twentieth-century dictionary of the English language, unabridged*. New York, NY: The Publisher's Guild.
Weick, K. E. (1998). The attitude of wisdom: Ambivalence as the optimal compromise. In S. Srivastva & D. L. Cooperrider (Eds), *Organizational wisdom and executive courage* (pp. 40–64). San Francisco, CA: The New Lexington Press.
Weick, K. E. (2007). Foreword. In E. H. Kessler & J. R. Bailey (Eds.), *Handbook of organizational and managerial wisdom* (pp. ix–xiii). Thousand Oaks CA: Sage.
Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, *5*, 171–181.
Yasai-Aradekani, M. (1986). Structural adaptations to environments. *Academy of Management Review*, *11*, 9–21.

https://doi.org/10.1017/jmo.2013.1 Published online by Cambridge University Press