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Wisdom and Decision Making: Grounding Theory in Management Practice

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Ali Intezari

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Abstract

Wisdom has been an important subject in philosophy for ages, and numerous books and articles have been written about it. Although it is originally rooted in philosophy, other scientific fields such as psychology and management have also examined wisdom. Of the important managerial tasks, decision making is crucial, as the success and failure of an organisation to a considerable extent depends on management decisions. Despite the vital role of decision making, and the increasingly growing attention in management on wisdom, the literature of management is still lacking empirical research that provides a clear understanding of how management decision making can benefit from wisdom (Melé, 2010). This research aims to address this issue by answering the question: *What is the relationship between wisdom and management decision making?* Accordingly, the research objective is to investigate the role of wisdom in management decision making and to find out how wisdom can help with making better quality management decisions and taking ‘wise actions’.

To address the research question, an interpretive exploratory study using classic Grounded Theory (Glaser, 1978, 1998, 1999, 2007) was conducted. A semi-structured interview format was used as the data collecting method. Through five phases and selective sampling, 37 CEOs and senior managers from both the public and private sectors in New Zealand were interviewed. The informants were asked about their understanding of the concept of wisdom and its relationship with management decision making. They were asked about how they identified wise managers and wise management decisions in their business community, and about how a management decision can be made so that it is considered as being wise and leading to wise outcomes.

The findings indicated that wise management decision making is an integrated process of multiple qualities. Based on the findings, a theory was developed that offers an explanation of the relationship between wisdom and management decision making; *the Emergent Theory of Praxio-Reflexive Integrated Decision Making (PRIDM)*. The theory suggests that wisdom in management decision making is achieved through an integration of Multi-Perspective Consideration

(MPC), Self-Other Awareness (SOA), and Cognitive-Emotional Mastery (CEM), and that the integration is fostered by Reflexivity and Praxis. PRIDM also suggests that the wisdom of the decision maker is developed through and manifests in reflexivity and praxis.

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Table of Contents

| | |
|---|----|
| Abstract | ii |
| Acknowledgements | iv |
| Table of Contents | v |
| List of Figures | ix |
| List of Tables | xi |
| Chapter 1 Introduction | 2 |
| 1.1 Chapter Overview | 2 |
| 1.2 The Research Problem | 2 |
| 1.3 Research Objectives | 5 |
| 1.4 The Research Questions | 6 |
| 1.5 The Significance of the Study | 6 |
| 1.6 The Researcher's Role in the Research | 8 |
| 1.7 Working Terms | 9 |
| 1.8 Structure of the Dissertation | 9 |
| 1.9 Chapter Summary | 11 |
| Chapter 2 Initial Review of the Literature | 13 |
| 2.1 Chapter Overview | 13 |
| 2.2 Wisdom | 13 |
| 2.2.1 Philosophical Perspective | 13 |
| 2.2.1.1 Wisdom, Virtue, and Excellence | 14 |
| 2.2.1.2 Theoretical (Philosophic) and Practical Wisdom | 18 |
| 2.2.2 Psychological Perspective | 22 |
| 2.2.2.1 Implicit and Explicit Studies | 23 |
| 2.2.2.2 The Berlin Wisdom Paradigm and the Balance Theory | 27 |
| 2.2.3 Managerial Perspective | 34 |
| 2.2.3.1 Social Practice Wisdom (SPW) | 35 |
| 2.2.3.2 DIKW | 37 |
| 2.2.3.3 Some of the Other Wisdom Studies in Management | 40 |
| 2.2.4 An Inter-disciplinary Perspective | 46 |
| 2.2.4.1 Key Aspects of Wisdom | 54 |
| 2.3 Management Decision Making | 60 |

| | | |
|------------------|--|------------|
| 2.3.1 | Formal-empiricist, Rationalist, and Naturalistic Perspectives | 61 |
| 2.3.2 | Rational and Non-rational Decision Making..... | 63 |
| 2.3.3 | Decision Making Process | 68 |
| 2.3.3.1 | Decision Making as a Sequential Process..... | 74 |
| 2.3.3.2 | Decision Making as a Non-sequential Process | 76 |
| 2.4 | Chapter Summary | 78 |
| Chapter 3 | Research Methodology, and Grounded Theory | 81 |
| 3.1 | Chapter Overview | 81 |
| 3.2 | The Choice of the Research Methodology and Methods | 81 |
| 3.2.1 | Phronésiology as the Wise Methodology | 86 |
| 3.2.2 | Qualitative and Quantitative Research | 88 |
| 3.3 | Grounded Theory | 90 |
| 3.3.1 | The Key Components of Grounded Theory | 91 |
| 3.3.2 | Grounded Theory Approaches | 94 |
| 3.3.3 | Why Grounded Theory | 96 |
| 3.3.4 | Why the Classic Grounded Theory (Glaserian Approach) | 100 |
| 3.3.5 | Examples of Grounded Theory in Organisational and Management Studies | 101 |
| 3.4 | Chapter Summary | 102 |
| Chapter 4 | Data Collection, Sampling, Interview Questions, Rigour, and Ethical Considerations..... | 104 |
| 4.1 | Chapter Overview..... | 104 |
| 4.2 | Data Collection and Analysis Process | 104 |
| 4.3 | Sampling and Informants | 106 |
| 4.3.1 | Sampling..... | 107 |
| 4.3.2 | Informants as Management Decision Makers | 108 |
| 4.3.3 | Variety in the Sample | 109 |
| 4.4 | Interview Questions..... | 110 |
| 4.4.1 | Asking Theoretical and Hypothetical Questions..... | 112 |
| 4.5 | Rigour and Credibility | 113 |
| 4.6 | Ethical Considerations..... | 117 |
| 4.7 | Chapter Summary | 118 |
| Chapter 5 | Data Interpretation | 120 |
| 5.1 | Chapter Overview | 120 |
| 5.2 | Coding Process | 120 |
| 5.3 | The Core Category: Praxio-Reflexive Integrated Decision Making | 127 |

| | | |
|--|--|------------|
| 5.3.1 | Multi-Perspective Consideration | 127 |
| 5.3.1.1 | Consequence-anticipating | 128 |
| 5.3.1.2 | Perspective-taking | 130 |
| 5.3.1.3 | Considering Ethical Codes | 133 |
| 5.3.2 | Cognitive-Emotional Mastery | 136 |
| 5.3.2.1 | Cognitive Mastery | 137 |
| 5.3.2.2 | Emotional Mastery | 141 |
| 5.3.3 | Self-Other Awareness | 152 |
| 5.3.3.1 | Self-awareness | 152 |
| 5.3.3.2 | Other-awareness: Awareness of Surrounding Environment... .. | 156 |
| 5.3.4 | Reflexivity | 159 |
| 5.3.4.1 | Internal Reflection | 160 |
| 5.3.4.2 | External Reflection | 163 |
| 5.4 | Chapter Summary | 165 |
| | | |
| Chapter 6 Discussion: An Emergent Theory of Praxio-Reflexive Integrated Decision Making (PRIDM) | | 167 |
| 6.1 | Chapter Overview | 167 |
| 6.2 | The Emergent Theory of Praxio-Reflexive Integrated Decision Making (PRIDM) | 167 |
| 6.2.1 | Multi-Perspective Consideration | 169 |
| 6.2.2 | Self-Other Awareness (SOA) | 172 |
| 6.2.3 | Cognitive-Emotional Mastery (CEM) | 177 |
| 6.2.4 | Reflexivity | 183 |
| 6.2.5 | Praxis | 190 |
| 6.3 | Chapter Summary | 195 |
| | | |
| Chapter 7 Implications, Limitations, and Directions for Future Research ... | | 197 |
| | | 197 |
| 7.1 | Chapter Overview | 197 |
| 7.2 | A Review of the Research | 197 |
| 7.2.1 | Research Problem and Objectives | 197 |
| 7.2.2 | Research Findings | 198 |
| 7.3 | Implications for Practitioners | 200 |
| 7.3.1 | Education | 203 |
| 7.3.2 | Sustainability: Implications for Organisations and Governments .. | 207 |
| 7.3.3 | Knowledge Management | 210 |
| 7.3.4 | Improving Decision Making | 211 |
| 7.3.4.1 | Reflexivity: Challenging Core Assumptions | 211 |

| | | |
|---------|---|-----|
| 7.3.4.2 | Balancing Knowledge and Doubt..... | 212 |
| 7.3.5 | Developing an Integrated Multi-factor Assessment Tool | 213 |
| 7.3.6 | Reconciling Emotion-Logic Dualism in Decision Making | 213 |
| 7.4 | Contribution to the Literature..... | 214 |
| 7.4.1 | Management Decision Making | 215 |
| 7.4.2 | Management Learning: Experiential Learning Theory | 216 |
| 7.4.3 | DIKW Pyramid..... | 217 |
| 7.5 | Limitations of the Research..... | 218 |
| 7.5.1 | Limitations Associated with Research Methodology..... | 218 |
| 7.5.2 | Limitations of Findings | 219 |
| 7.5.3 | Limitations of the Theory..... | 221 |
| 7.6 | Directions for Future Research..... | 222 |
| 7.6.1 | Directions for Future Research Based on Limitations of the Research | 222 |
| 7.6.2 | Directions for Future Research Based on Limitations of the Research Findings | 224 |
| 7.6.3 | Directions for Future Research Based on Limitations of the Theory... | 228 |
| 7.7 | Chapter Summary | 229 |
| 7.8 | Concluding Statement | 230 |
| | Bibliography | 231 |
| | Appendices | 275 |

List of Figures

| | |
|---|-----|
| Figure 2-1: Wisdom, Virtue, and Excellence..... | 15 |
| Figure 2-2: Theoretical and Practical Wisdom | 21 |
| Figure 2-3: A Model of Wisdom..... | 26 |
| Figure 2-4: The Development, Structure, and Functions of Wisdom: A Theoretical Model | 30 |
| Figure 2-5: A Balance Theory of Wisdom..... | 32 |
| Figure 2-6: DIKW Pyramid | 38 |
| Figure 2-7: The Contribution of Wisdom and Wisdom-related Aspects to Management..... | 41 |
| Figure 2-8: Organisational Responses to Turbulence as a Function of Wisdom Capacities | 42 |
| Figure 2-9: Integrated Wisdom Development Model | 43 |
| Figure 2-10: Dynamic Model of Organizational Wisdom, Showing Relationships Amongst Transcendence, T ³ and Wisdom | 44 |
| Figure 2-11: Integral Pheno-practice of Wisdom..... | 45 |
| Figure 2-12: Rational Decision Making as Performative Praxis | 65 |
| Figure 2-13: Perspectives on Decision Making | 67 |
| Figure 2-14: Drucker’s Effective Decision Process..... | 75 |
| Figure 2-15: A Model of the Chaotic Dynamic Cycle of the Decision Making Process | 77 |
| Figure 3-1: Interpretivism’s Analytical Trinity..... | 85 |
| Figure 3-2: Paradigms and Approaches to Research, as well as their Keywords and Identifiers..... | 89 |
| Figure 3-3: Key Components of Grounded Theory | 92 |
| Figure 4-1: The Research Data Collection and Analysis Phases | 105 |
| Figure 4-2: Data Collection/Analysis and Theoretical Sensitivity/Saturation.... | 111 |
| Figure 5-1: Coding Phases | 121 |
| Figure 5-2: Developing Conceptual Categories | 125 |
| Figure 5-3: The Main Conceptual Categories and Sub-core Categories..... | 126 |
| Figure 6-1: Multi-Perspective Consideration (MPC)..... | 170 |
| Figure 6-2: Self- Other Awareness (SOA)..... | 173 |
| Figure 6-3: Integration of MPC, CEM, and SOA | 181 |

| | |
|---|-----|
| Figure 6-4: Reflexivity | 187 |
| Figure 6-5: Wise Management Decision Making: Praxio-Reflexive Integrated Decision Making (PRIDM) | 193 |
| Figure 7-1: Integration of an Integral Meta-competencies Theory of Practical Wisdom into Business Education Programs | 205 |
| Figure 7-2: The Link between Wisdom, HPT, and Sustainability | 209 |

List of Tables

| | |
|---|-----|
| Table 2-1: Use of the Wisdom Criteria to Evaluate Discourse About Life Matters | 29 |
| Table 2-2: Commonly Proposed Subcomponents of Wisdom..... | 50 |
| Table 2-3: Wisdom Definitions..... | 53 |
| Table 2-4: Key Aspects of Wisdom..... | 59 |
| Table 2-5: Different Perspectives on the Decision Making Process..... | 71 |
| Table 2-6: Decision Making Phases and Relevant Functions..... | 72 |
| Table 2-7: Characteristics of the Three Approaches to Making Decisions | 78 |
| Table 3-1: Basic Belief (Metaphysics) of Alternative Paradigms | 82 |
| Table 3-2: Why Grounded Theory? | 97 |
| Table 4-1: Credibility Criteria for Grounded Theory | 115 |
| Table 5-1: Sample of the Initial Coding..... | 122 |
| Table 6-1: Qualities Involved in Wise Management Decision Making, and their Definitions..... | 169 |
| Table 7-1: Implications for Practitioners | 202 |
| Table 7-2: PRIDM Qualities and Self-awareness Questions | 207 |
| Table 7-3: Contribution of the Study to the Literature | 214 |
| Table 7-4: Directions for Future Studies: Recommendations Based on the Research Limitations..... | 223 |
| Table 7-5: Areas for Further Research..... | 226 |