

PRACTICAL WISDOM IN THE MANAGERIAL DECISION-MAKING PROCESS¹

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Abstract

The aim of this article is to contribute to a better understanding of how practical wisdom can help in managerial decision-making. Firstly, it discusses the problem of making decisions exclusively based on instrumental rationality in decision-making assuming, at least implicitly, the dichotomy between facts and values. This approach has as a consequence that ethics is neglected completely or that normative theories are accepted as a mere addition to a managerial theory. Secondly, it introduces the notion of practical rationality, and the virtue of prudence or practical rationality, as a more complete alternative for decision-making. Thirdly it discusses eight aspects of practical wisdom which are highly significant for moral reasoning in decision-making. Finally, the article reviews the main stages commonly proposed in managerial decision-making and how practical wisdom could contribute in each one of these stages. The article concludes by affirming that practical wisdom is highly valuable for sound decision-making and stressed the necessity that it be included in business education.

Abbreviations: *NE*: *The Nicomachean Ethics* (Aristotle); *STh*: *The Summa Theologica* (St. Thomas Aquinas)

Introduction

Decision-making is a central aspect of management in all kind of organizations, including those operating in the spheres of business, governmental, religious, educational, military, and labor organizations. Managers carry out many activities, but decision-making is crucial. As Drucker wrote, “Decision making is only a task of an executive. It usually takes a small fraction of time. But to make the important decision is the *specific* executive task.” (Emphasis in original) (1967, p. 98). Managers continually make decisions at every level of the organization. These may be strategic decisions, for instance, regarding new markets or products or large organizational changes. Other decisions may be about developments of strategies and organizational structures, or may be operational, oriented to lead specific activities. There are also many managerial decisions which concern day-by-day issues within an organization. Decisions may involve assignment of resources and people and produce the desired results, but they can also entail some unsought side effects, along with changes in relationships which can affect future projects.

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“Without a doubt – wrote Harrison (1999, p. 6-7) – decision making is the most significant activity engaged in by managers in all types of organizations and at any level. It is the one activity that most characterizes the behavior of managers, and the one that clearly differentiates managers from other occupations in the society.”

Frequently, decision-making is seen as the process of responding to a problem by searching for and selecting a solution or course of action. However, decision-making can also be oriented toward improving situations. There are many definitions of decision-making. Most of them have to do with considering various courses of the action and making a choice among them. In other words, “the decision-maker has several alternatives and that his choice involves a comparison between these alternatives and an evaluation of their outcomes.” (Eilon, 1969, p. B-172)

Given the relevance of decision-making in business management, it is not surprising that such an area has been widely developed over the years, and a vast literature on decision-making is available (see, e.g., Harrison, 1999, Hall, 2002). Two mainstream approaches have been dominant through time. On one hand, one based on highly formalized procedural methods which are often quantifiable. Here, the decision-maker is presented as an agent with full or bounded economic rationality in searching the most efficient means to obtain a certain end, generally expressed in economic terms. In this line of thought, we find the “Decision Making Theory”, based on statistics and complex mathematical models, which has been significantly developed, since the World War II, by the introduction of operations research, statistical analysis and computer programming in decision-making.

On the other hand, there is also great amount of literature which focuses on the behavioral and sociological aspects of decision-making, seeking statistical expression of how the psychological and situational factors have influenced in how people make decisions. Within these approaches, in the last two decades an increasing attention has been paid to how managers, or other people, include ethics in making decisions (see a review in Loe et al, 2000, and O’Fallon and Buttefield, 2005).

Over the same period, several normative theories of ethics have been proposed for ethical reasoning in decision-making. To this end, a great variety of theories of ethics have been proposed. Among these, deontological, consequentialist, and contractualist theories, generally focused on evaluating ethical issues or on solving ethical dilemmas. Virtue-ethics is also increasingly considered. This adds the perspective of ethics into decision-making by focusing not only in what is ethically allowed but also on that which is necessary in seeking human excellence. Practical wisdom, which “consists in a right estimate about matters of action” (*STh*, II-II, 49, 4), is connected with virtue ethics, as we will see below. But surprisingly so far scant attention has been paid to the role in business ethics and management and, in particular, in managerial decision making. However, recently, Moberg (2007) has emphasized the role of practical wisdom in business ethics, and several scholars have declared on the necessity to introduce practical wisdom in business education (Gibson, 2008, Roca, 2008).

This article tries to contribute to a better understanding of how practical wisdom can help in managerial decision-making. We will proceed as follows. In the first part, we will discuss instrumental rationality in decision-making and the dichotomy between facts and values. In the second part we will introduce the notion of practical rationality, and the virtue of prudence or

practical rationality, explaining its importance in decision-making. In part third we will discuss eight aspects of the practical wisdom which foster a sound moral reasoning in decision-making. Part fourth we will review the main stages commonly proposed for decision-making and how practical wisdom could contribute in each one.

I. Instrumental rationality in decision-making

At the beginnings of decision making studies in business, the idea of *homo economicus*, in which managers seek to maximize their preferences was taken for granted. Acknowledging the weaknesses of the rational model, Herbert Simon and his colleagues (Simon, 1976[1945]); Simon, 1960; March and Simon, 1958; Cyert and March, 1963; March, 1989) developed a model, which assumes that decision making takes place under conditions of uncertainty, in which information is incomplete, and that managers have a limited capacity to intellectually process even the inadequate information that is available, i.e. a “bounded rationality”. Under these circumstances, instead of maximizing profits, managers engage in “satisfying”, limiting information search and alternative development only to the point of finding a solution that satisfies stakeholders. Later refinements of the model recognized that much of decision making depends on the intuitions, beliefs, values, and experience of the decision-maker. It is assumed that the decision is finally made by bargaining, negotiation, and compromise, processes that involve the relative power of groups of managers and stakeholders.

Simon, and with him many other authors, excluded any rational ethics from the decision-making process. For him, ethics is related with the values of the decision-maker, and consequently with his or her preferences. In contrast, scientific management must operate with facts. In Simon’s own words, “scientific propositions (...) are statements about the observable world and the way in which it operates. Ethical propositions, on the other hand, are expressions of preferences” ([1945] 1976, p. 248). This distinction, he says, “proves to be a very fundamental one for administration.” (Simon, [1945] 1976, p. 45) With it, Simon advocated for the elimination of values in management sciences. Consistently, Simon sees every moral judgement as being comprised of a description of facts plus an imperative ([1945] 1976, p. 46). ‘Correctness’—that is, truth or falsity—of ethical propositions can only refer to their factual component because imperatives cannot be true or false. A statement about the means tending to an end can be object of ‘objective, empirical truth’, but not the end in itself, so “if two persons give different answers to a factual problem, both cannot be right. Not so with ethical questions” (Simon, [1945] 1976, p. 53).

Simon adopted this position based on Logical Positivism—also known as the ‘Vienna School’, ‘logical empiricism’, or ‘neo-positivism’—, which was in fashion when he wrote his influential book *Administrative Behavior*, as he explicitly recognized this by saying: “the conclusions reached by a particular school of modern philosophy — Logical Positivism — will be accepted as a starting point, and their implications for the theory of decisions examined.” ([1945] 1976, p. 45). At the core of Logic Positivism there is the dichotomy between facts and values, which lead to what Freeman (1994) has called the “Separation Thesis”.

In accordance with this Separation Thesis, The radical separation between facts and values is at the root of what Edward Freeman has called ‘the Separation Thesis’. This he formulated in the following terms: “The discourse of business and the discourse of ethics can be separated so that

sentences like ‘x is a business decision’ have no moral content, and ‘x is a moral decision’ have no business content.” (Freeman 1994, p. 412)

Under the Separation Thesis lens, “rationality means” exclusively “economic rationality”. This is a rationality based on a calculative assessment of efficiency to obtain a certain goal, using a cost-benefit analysis as the main tool. From this perspective, economic and ethics are independent of each other, and normative constraints in decision-making come from rationalistic ethical theories. They would be accepted only a voluntary basis and as something extrinsic to the action.

The dichotomy between facts and values and the Separation Thesis, although still widely present in the business world, have been seriously questioned mainly over the last two decade. A number of authors, including Quine (1951), Sen (1967, 1987), Searle (1964), Black (1964), Hausman and McPherson (1993), and above all, Putnam (2002, 2003) have criticized the facts and values dichotomy with various arguments (Melé and Canton, forthcoming). Without trying to discuss all of these, it is worth to mentioning Sen (1967), who emphasizes the rational character of evaluative judgments by arguing that the rational discussion of evaluative matters is always possible. He affirmed that only a few ‘basic’ value judgments cannot be justified on rational grounds. The ability to provide reasons is a distinctive feature of evaluative judgments in contrast to purely prescriptive statements (imperatives), so they cannot be identified with each other. On this part, Hilary Putnam (2002), who convincingly shows the falsity of the dichotomy, advocates for an “entanglement of fact and value” considering that the neat line between prescriptive and descriptive components of evaluative judgments should be considered, at the very best, “a philosophers’ fantasy” (Putnam, 2003, p. 396).

II. Practical rationality and practical wisdom

A realistic approach to the human action shows that the dichotomy between facts and values is artificial. Human understanding sees the action as a whole. Obviously one can describe an action only in its “technical aspects” but the action can not be fully understood without its ethical dimension. If you say that Madoff made money by using a “Ponzi scheme”, this does not describe completely his action which included a \$50,000 fraud. Neither, it would be an accurate description of human action involved in the causes of the financial crisis of 2008, to only explain technical aspects of the subprime mortgage credits and how trading with subprime mortgaged-backed securities occurred. There facts are not “free values”, but human actions which can entail technical financial aspects. In other words, “technical” aspects associated to a productive action are a part of a human action.

The distinction between production and human action was already pointed out by Aristotle through productive activities, (ποίησις, *poiesis*, in Greek, means production) and human action (πρᾶξις, *praxis*, in Greek, means rational action, conduct), or in current terms: *making* (productive acts) and *doing* (human acts). Aristotle distinguishes between both notions: “Hence the rational quality concerned with doing is different from the rational quality concerned with making; nor is one of them a part of the other, for doing is not a form of making, nor making a form of doing.” (NE 6, 4) However, he makes clear that productive activity is a means for something else: “This indeed is the moving cause of productive activity also, since he who makes some thing always has some further end in view: the act of making is not an end in itself, it is

only a means, and belongs to something else.” (NE, 6, 2) Aquinas adds that “the reason that deals with things to be done for an end is the practical reason” (STh II-II, 47, 2).

Thus, an appropriate theory of the action, as Llano suggested, should consider both *praxis* and *poiesis*, i.e., the productive activity and the human conduct in such activity: “The essential points of this theory of the action are oriented, on one hand, to emphasize the intrinsic teleological character of both practical and technical activity and, on the other hand, to notice that such teleology inherent to both *praxis* and *poiesis* made that the evaluation of the action be not something posterior to the action but something constitutive of the action itself.” (1996, p. 309). In other words, there is an unavoidable moral dimension in human acting; and “the understanding of the free human acting is only possible within a *strong rationality*, that is a rationality which operates with the categories of good and evil.” (Šilar and Schwember, 2009, p. 93).

In the Aristotelian-Thomistic tradition there is not dichotomy between fact and values, and it is accepted that there is a certain human capacity to know the reality as it is. Regarding the orientation of human action, apart from instrumental rationality, also involved “practical rationality”. The former guides productive actions toward particular ends, the latter guides human action in the sense of living a truly human life. To give a simple example, instrumental rationally leads one to making an efficient weapon, while practical rationally inquires about whether this weapon should be made and under what conditions it should be sold. In business, instrumental rationality seeks how make business operations profitable; practical rationally is pursued to learn if such operations are ethically acceptable, and how people involved in such operations can grow.

According to St. Thomas Aquinas, who follows Aristotle (Westberg, 1994), every human being possesses practical rationality, that is to say, capacity of discernment between good and evil. In his own words, “every man, for as much as he is rational, has a share in ruling according to the judgment of reason” (STh II-II, 94, 12). Thus, practical reason leads one to knowing the human good and to acting in accordance with it, guiding human actions in accordance with the human good (STh II-II, 94, 1, 3)

Practical rationality is, therefore, closely related to the human good, which is presented as something which should be done. “Good – he affirms - is the first thing that falls under the apprehension of the practical reason, which is directed to action: since every agent acts for an end under the aspect of good. Consequently, the first principle of practical reason is one founded on the notion of good.” (STh, I-II, 94, 2) He adds that “whatever the practical reason naturally apprehends as man’s good (or evil) belongs to the precepts of the natural law as something to be done or avoided.”

Aristotle arrived at the notion of practical wisdom by considering who the persons whom we call prudent are. He stated: “it is held to be the mark of a prudent man to be able to deliberate well about what is good and advantageous for himself, not in some one department, for instance what is good for his health or strength, but what is advantageous as a means to the good life in general.” (NE, 6, 5) Thus, he contrasts practical wisdom focused to the “good life” and seeking interests related to one’s own health and strengthens. We may add money, power, and so on. In another text he relates practical wisdom with morality even more clearly: “it [practical wisdom]

is a truth-attaining rational quality, concerned with action in relation to things that are good and bad for human beings. (NE, 6, 5, 4) Afterwards he explains that “prudence is a truth-attaining rational quality, concerned with action in relation to the things that are good for human beings” (NE 6, 5)

Similarly, Aquinas points out that “a prudent man is one who disposes well of the things that have to be done for a good end” (*STh* II-II, 47, 13), and, as noted, defines practical wisdom or prudence as “right reason in action” (*STh* II-II, 47, 2). A short, but very precise definition of prudence is that given by the Catechism of the Catholic Church (n. 1806): “Prudence is the virtue that disposes practical reason to discern our true good in every circumstance and to choose the right means of achieving it.”

According to Aristotle and Aquinas, practical wisdom or prudence² is an intellectual habit inherent in practical reason. However, both Aristotle and Aquinas agree that practical wisdom is something more than a merely rational habit, inasmuch it includes application to action, which application is an act of the will (NE, 6, 5; *STh* II-II, 47, 1, 3). Practical wisdom is both an intellectual and a moral virtue. Along with other moral virtues (justice, fortitude and temperance, and other related virtues) it determines a good behavior. “Prudence –writes Aristotle– as well as Moral Virtue determines the complete performance of man’s proper function: Virtue ensures the rightness of the end we aim at, Prudence ensures the rightness of the means we adopt to gain that end.” (NE 6, 12)

Practical wisdom, as practical rationality, is oriented toward single actions. It refers to conduct which deals with different situations. Prudence differs therefore from scientific knowledge, which is a mode of conception dealing with universals and things that are of necessity. Prudence, like art, is concerned only with things that admit of variation in accordance with each situation. However, prudence is more diverse than art, since art refers to making things (production), while prudence focuses on doing, i.e., in the action itself (NE, 6, 1).

In conclusion, it seems extremely important to take practical rationality and practical wisdom into consideration in decision-making. This doesn’t mean precluding instrumental rationality but putting it its right place, as a means for good human life. Otherwise, the only criterion for making a good decision would be efficiency and utility and, as Pope Benedict recently has pointed out, “when the sole criterion of truth is efficiency and utility, development is automatically denied. True development does not consist primarily in “making”. The key to development is a mind capable of thinking in technological terms and grasping the fully human meaning of human activities, within the context of the holistic meaning of the individual's being.” (2009, n. 70)

Let us now to consider how practical wisdom contributes to moral reasoning in decision-making.

III. Practical wisdom in moral reasoning

In business ethics literature, moral reasoning is often understood as applying the Kantian categorical imperative, testing the possibility to universalize an action; or following

² Here we will use practical wisdom and prudence as interchangeable. They translated φρόνησις or *phronesis*, the Greek work used by Aristotle and *prudentialia*, the Latin word used by St. Thomas Aquinas.

Utilitarianism through an arithmetical calculation of utilities or satisfactions of those affected by the action. It can also mean the application of certain rules to a certain situation to solve a dilemma. Practical wisdom introduces a different perspective. It tries to discover human good inherent in an action that a prudent person would grasp. It includes cognitive aspects coming from experience and universal principle along with others cognitive aspect generated by a specific situation.

Aquinas (*STh* II-II, 49) mentioned eight integral parts of prudence, which are necessary for the perfect act of such virtue. They help the decision-maker to discover the right decision. We will review them, using a terminology understandable to managers:

1. *Remembering experiences.* Practical wisdom, like any other intellectual virtue is generated and fostered by experience and time. (*NE*, 2, 1); prudence requires making memory of many things (*STh*, II-II, 49, 1). Recalling of past experiences which can have some relation with the current situation helps to evaluate particular situation with practical wisdom. This requires reminding oneself about past events or considering what usually happens when a certain type of action is performed. Experience is developed over time by trying to retain the significance of ethically relevant elements of events.
2. *Understanding universal principles.* This refers to the necessity of understanding universal principles and how they relate to particular situations. Aquinas argues that “every deduction of reason proceeds from certain statements which are taken as primary: wherefore every process of reasoning must needs proceed from some understanding.” (*STh* II-II, 49, 2) Understanding universal principles of morality and logics, taking these as self-evident, and applying them to particular situations is necessary since ethics does not deal with universals only, but needs to acknowledge the singular too (*NE*, 6, 7; *STh* II-II, 47, 2). Universal principles are generic while each situation entails singular matters. Consequently, a prudent person should “to know both the universal principles of reason, and the singulars about which actions are concerned.” (*STh* II-II, 47, 2). Understanding what the human good is, and recognition the human dignity and innate rights of every human being is proper of a person with practical wisdom.
3. *Seeking advice from competent people.* It is reasonable seeking advice from people who are both prudent and expert in the matter of the action in order to benefit from their experience and good judgement. This is especially important when one has serious doubts about the right evaluation of the morality of an action. As Aquinas argues, “prudence is concerned with particular matters of action, and since such matters are of infinite variety, no one man can consider them all sufficiently; nor can this be done quickly, for it requires length of time. Hence in matters of prudence, man stands in very great need of being taught by others, especially by old folk who have acquired a sane understanding of the ends in practical matters.” (*STh* II-II, 47, 3)
4. *Practising sagacity.* Sagacity or shrewdness is an apt disposition to acquire oneself an accurate capacity of moral evaluation (*STh* II-II, 47, 4). A prudent person not only seeks advice and learns from others, but also has promptness in resolving issues that one knows well enough and has the confidence to judge for oneself (otherwise, rather than sagacity, it

would be a form of imprudence). By doing so, one improves one's ability to discover what the right thing to do is in a specific situation; and doing it quickly, without unnecessary delay.

5. *Exercising sound judgment.* "It is requisite for prudence that man should be an apt reasoner." (STh II-II, 49, 5) Firstly, this means trying to be objective with reality, approaching situations carefully to appreciate how things really are, and then reflecting carefully on significant data, including what about people generally held to be wise say; and relating pieces of information to one another in a reasonable manner. A prudent person searches for the truth, avoiding as much as possible deformations of reality caused by personal prejudices or desires. Practical wisdom helps one to avoid attitudes such those in which one insists in being right, but with little justification, shutting oneself in without delving further into the other side's arguments.
6. *Being foresighted.* Taking care or provision of the future is a crucial aspect of practical wisdom. Etymologically, prudence is related to *providencia*, meaning foresight. Aquinas argues that "future contingents, in so far as they can be directed by man to the end of human life, are the matter of prudence: and each of these things is implied in the word foresight, for it implies the notion of something distant, to which that which occurs in the present has to be directed." (STh II-II, 49, 6) Being a person with practical wisdom includes foreseeing future consequences of an action including those that are unintended but that will probably flow from an action. This will lead one to use all necessary means to achieve the desired objectives and avoid, or at least minimize, undesirable side effects.
7. *Maintaining awareness on relevant circumstances.* Since, prudence is about singular matters of action, which contain many combinations of circumstances, it can occur that a thing is good in itself and suitable to the end, and nevertheless becomes evil or unsuitable by the end, for reason of some combination of circumstances. (STh II-II, 49, 7). In fact, some circumstances can be highly significant to evaluate an action, for example, with the case of gifts received in the business context. Sometimes may be part of a local costume and insignificant for fair business, but in other circumstances gifts can be a cover for bribe. Practical wisdom helps one to be aware of special circumstances that might arise in a particular situation and that are worth noting. This involves being vigilant enough to discover the pertinent circumstances of each case, distinguishing these from irrelevant ones.
8. *Thinking with caution.* "Prudence –Aquinas stated– needs caution, so that we may have such a grasp of good as to avoid evil." (STh II-II, 49, 8). Frequently, one can find actions which are not clearly good or evil. In some aspects are good but in other they are not. Deal with this "grey areas" requires caution. Being aware of any obstacles that might appear for acting well also require caution. A cautious person knows when to expect difficulties and anticipates them.

IV. Practical wisdom in the managerial decision-making process

Finally, we will discuss how practical wisdom enters in the managerial decision-making process, but first we will review the many stages of this process as is generally proposed in management though.

Regarding this process, we can usefully distinguish between programmed and non-programmed decisions (Simon, 1960, pp. 5-6). Programmed or structured means repetitive and routine decisions, with well-established procedures for making decisions, while non-programmed or unstructured are novel, unstructured and consequential. These latter, in some sense, are unique and require a particular treatment; they are typically managerial decisions, while the former are more frequent in more “technical” professions.

Simon, points out that decision-making comprises three principal phases: “finding occasions for making a decision, finding possible course of action, and choosing among in these courses of action.” (1960, p. 1). These three steps are not too different from what Aquinas (*STh* II-II, 47, 8) saw seven hundreds years ago by considering the role of practical wisdom in decision-making. He distinguished three steps: (1) deliberation (discovering the morality, i.e., awareness, asking for advice, inquiring), (2) judgment (judging of what one has discovered) and (3) command (applying to action the things deliberated and judged). However, there is great difference among these authors in the content of these phases. While Simon, as noted, only considered making a decision in terms of choosing the more efficient means to solve a problem, Aquinas consider these stages in ethical terms by applying the “right reason” in decision-making.

These three phases formulated by Aquinas are also closely related with findings of modern psychological research. Thus, according to Rest (1986), the consideration of ethics in decision-making involves four basic steps: 1) identify the moral nature of an issue, 2) making moral judgment, 3) establishing moral intent and 4) engaging in moral action.

Many authors present the managerial decision-making process in more detail than Simon. One of them is Harrison (1999, pp. 38ff), who distinguished between seven stages in the process of decision-making. They are the following:

1. *Setting managerial objectives.* These objectives can be selected with the purpose of solving a problem or improving a situation. It is assumed that achieving those objectives or goal will solve the problem, or at least make it less serious, or improve a situation. Therefore, previous to this stage an adequate formulation of the problem or the situation which does not appears as completely satisfactory is required. Some authors include as a preliminary stage the *formulation of the problem*.
2. *Searching for alternatives.* To achieve objectives the decision-maker needs to find a means appropriate to reach them. But it could be several alternatives actions or plans of action which should be searched. This stage requires scanning internal and external environments and gather the information which seem relevant to able to fulfill the objectives.
3. *Comparing and evaluating alternatives.* Some alternatives may be better than others. Thus, they should be evaluated under appropriate criteria and compared to one other. The choice of criteria is a crucial point.
4. *The act of choice.* In this stage the decision-maker select the alternative which appears to be the most appropriate to reach the managerial objectives posited to the beginning of the process.

5. *Implementing the decision.* In this stage the alternative chosen is made operative and put into practice within the organization.
6. *Follow-up and control.* The process of decision-making culminates upon reaching the objective that gave rise to the decision-making process. Thus, following up and controlling the outcomes, along with side effects, is also the final stage the decision-making process. If the outcomes do not solve the original problem, or do not satisfy the objectives or produce unacceptable side effects, it would be necessary to re-think the initial objectives or refine the alternative, as an ongoing process.

Some approaches on decision-making that only consider problems and situations in economic terms may only posit criteria of efficacy and efficiency. But, in each all stages of the process of decision-making there is an ethical dimension, which can be recognize and evaluated by practical wisdom with practical wisdom.

To start with, the ethical aspect of the problem or improvement, which leads to making a decision, can be recognized by a prudent person. Practical wisdom has the ability to discern whether or not that situation satisfies the demands of justice, loyalty, truthfulness and other ethical values: in a word, the ability to perceive the human aspect of problems.

The process continues with the decision-maker *setting objectives*, with the intention of reaching these. From the moment the decision-maker knows and wants a goal, he has the *intention* to carry out an action, even though he does not yet know how he will do it. Sometimes, the intention is not singled out as a stage in its own right; it is assumed somehow to be included already in the formulation of the problem. For ethical analysis, however, the intention is extremely important, and so it is desirable that it be made explicit.

The *intention to reach a goal* in order to resolve a problem is something tangible, but it has an ethical dimension, which can be evaluated. In knowing and accepting a goal, we focus on the fact that it may be useful to help solve a problem, but this says nothing about whether the goal is good or not. One knows and accepts this dimension as well.

Let's take an example. In a family firm, one of the family members expects to reach a senior management position, which will be useful to him (higher salary, status, etc.). But if he achieves the desired position and is competent and works hard, he will be able to serve the company well, as well as his family and the business and social environment. The stronger his intention to serve, the more valuable that intention will be, even if other compatible motives of a utilitarian nature exist. Let's make another hypothesis. If the person has no personal capability for the post and aspires to it only out of vanity, or lust for power or money, then we cannot approve of his intention. Should he succeed in obtaining that post, rather than serving, he will cause harm. He will not have what we call *rectitude of intention*, that is, an intention in accordance with ethical requirements.

Searching for alternatives takes knowledge and experience, but above all it demands creativity. Ethical awareness plays no part in generating alternatives, although an ethically concerned person

will be motivated to find new, more morally acceptable alternatives, especially if the most immediate alternatives raise ethical objections.

Comparing and evaluating alternatives is the next stage. We need to compare and evaluate the alternatives using appropriate criteria. Those criteria will be shaped by what is considered relevant for selecting an alternative action or for making an actual decision. A rational decision-maker will try to ensure that the alternative chosen is the best possible. That alternative may be anything from a simple external action to a complex action plan. Obviously, one option may be to “do nothing”, leaving things as they are.

In analyzing alternatives we discover ethical contents that can be evaluated with practical wisdom. To evaluate the alternatives we need criteria, which will vary considerably in each individual case. These criteria tend to refer to effectiveness in achieving the goal, efficiency in the use of resources, the reaction of the environment and of oneself, the technical learning obtained, and the morality of the action or action plan of the alternative being considered..

Each criterion may lead us to discard some alternative or other, either because it is ineffective or very inefficient, or because the consequences create more problems than they solve, or because the alternative itself is ethically unacceptable. From among the remaining alternatives we must select *the best possible* one, using prudential judgment, which takes into account not only the immediate effects, but also the long-term consequences, while bringing all the relevant criteria to bear. In this stage the decision-maker will select an alternative with the aim that such alternative will be the most appropriate to reach the managerial objectives posited to the beginning of the process. This leads us to *the act of choice*. The imperative, or inner mandate, to act is the principal and most characteristic act of prudence, as it orders the will immediately into action, with the command: “I must do this here and now” because it is good.

In *implementing* the decision, the ethical aspect lies in carrying out the chosen course of action diligently, as planned, and in the time given. Inconstancy and negligence in doing what must be done denote a lack of prudence.

Finally in *following-up and control* the outcomes, practical wisdom can discover whether the outcomes are as good as they were thought. In addition, unexpected consequences can have raised and they are demand an ethical evaluation. Practical wisdom can recommend reformulating the problem, or formulate new problems, and so a new decision-making process begins.

Conclusion

Approaches to managerial decision-making based on the dichotomy of facts and values, and generally reduced to a consideration of instrumental rationally are reductionist. Ethics is neglected or only added at the end of the process through normative theories. The Aristotelian-Thomistic distinction between the productive activity (making) and human action (doing) highlight two different capabilities of the human person. Both are oriented toward the action but in different ways. The former is transitive, flows from the agent toward external production, the

former is immanent to the agent and oriented toward a good conduct. Practical rationality reinforced by the virtue of practical wisdom grasps what is humanly good in each situation. Practical wisdom in decision-making, without excluding instrumental rationality, adds the ethical dimension in each stage of to the decision-making process. Moral reasoning by practical wisdom, far from applying rules, considers the situation as a whole and seeks to discover what is good in each particular situation. Personal dispositions are crucial. Both Aristotle and Aquinas stress that only people with a long experience are truly prudent (*NE* 6, 11; (II-II, 49, 3) Young people can take advantage of other's experience. Learning principles and practical criteria can help inexperienced decision-makers.

The article is exploratory and has many limitations, including 1) the need for a more accurate understanding of practical wisdom in decision-making and its relationship with other virtues, 2) how practical wisdom contributes to the formulation of moral judgment by considering the intention of the agent and the object of the action selected, 3) the relationship between practical wisdom and other aspects of the decision-making, including changes in relations for future interaction, and 4) specific aspects of "managerial practical wisdom", which should be directed to the common good of the organization. Although we have not discussed this point, practical wisdom, Aquinas distinguished between, individual, domestic and political prudence (*STh* II-II, 47, 11). Thus, it would be a "managerial practical wisdom" too.

All these points would be matter for future theoretical research, as it would an extensive application to cases as a part of a demonstration of how practical wisdom works, and the superiority of practical wisdom, united to natural and virtues, in sound managerial decision-making. However, in spite of these and probably other limitations, we hope that this paper can contribute to a fruitful debate about practical wisdom in management, and in particular in decision-making.

Last, but not least, if our appreciations are correct, we can conclude by saying that practical wisdom is highly valuable in sound decision-making and this reinforces the necessity of including practical wisdom in business education.

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