

How can practical wisdom manifest itself in five fundamental management and leadership practices?

Leadership
practices

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Abstract

Purpose – Practical wisdom (PW; *phronesis*), as one of the human virtues, is experiencing a renewal in the contemporary management literature. The aim of this conceptual paper is first, to explore the core practices of managers and leaders in the literature and second, to demonstrate how PW can manifest itself in these practices.

Design/methodology/approach – The research follows the interpretivist research philosophy, inductive approach, qualitative method and the theory-building research strategy. The data collection method is a literature review. The practice ecosystem framework is applied to demonstrate the presence of PW in the core practices of managers and leaders.

Findings – The paper proposes a practice-based paradigm of management and leadership. From the literature study, envisioning, enabling, energizing, engaging and executing as five fundamental practices are identified.

Research limitations/implications – The most significant literature was selected based on decisions of the author. Therefore, it might be that important sources were overlooked. The paper proposes future research questions, and it calls for an empirical validation of the proposed conceptual model in management and leadership practices context.

Practical implications – The practical implications for managers and leaders are in applying the framework developed in this paper as a tool or guidelines to cultivate PW in their practices. The paper offers implications for management education, traditional educational institutions and educational practitioners because they are the key influencers of wise thinking and actions of future managers and leaders.

Originality/value – The novelty of this paper is in making explicit how the eight features of PW can manifest themselves in the everyday actions of managers and leaders. Applying the practice ecosystem framework for this purpose is an original contribution.

Keywords Leadership, Management, Practical wisdom (*phronesis*), Practice ecosystem framework, Practice-based management and leadership paradigm

Paper type Conceptual paper

Introduction

Wisdom (*prudence*), courage (*fortitude*), moderation (*temperance*) and justice (*liberty*) are the main human virtues. The goal of wisdom is to achieve human excellence and the common good, not only for individuals but also for society as a whole. The role of wisdom becomes



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increasingly important in crises and disasters. For instance, wisdom-based ethical and moral decisions were and are the foci of such things such as the financial crisis of 2008, various human crises e.g. immigration into Europe in 2015, political disputes, wars, environmental catastrophes such as global warming, pollution and the current health emergency, the COVID-19 worldwide pandemic in 2020. According to Robinson (1990), wisdom has three dimensions: wisdom of life (*sophia*), wisdom of knowledge (*episteme*) and wisdom of practice (*phronesis*). In today's business practices, the role of practical wisdom (PW) is steadily growing because of the need for shifting from exclusively rational, calculative, profit-oriented and financial goals in business to moral and ethical values. Management and leadership practices led by PW can have huge impacts on the flourishing and well-being of people, organizations and societies.

Need for this paper

The need for this paper is driven by the following:

- the urgent need for a practice-based paradigm of leadership and management;
- the recent attention paid to practices and PW in management literature; and
- the need for making leadership and management practices broadly understood.

Owing to radical changes in the business environment, both the theory and practice of management and leadership are under pressure to develop. Belcredi and Stingl de Vasconcelos Guedes (2020, p. 13) focus on decision-making in management, and they argue that "there is a strong demand for up-to-date management practices" in living complex systems like organizations. There are heated debates in the literature about the needs for reinventing management and leadership theories and about the need for a better understanding of the practices of managers and leaders (Kanter, 2001; Lengnick-Hall and Lengnick-Hall, 2003; Ghoshal, 2005; Hamel and Breen, 2007; Davies *et al.*, 2011; Brent and Dent, 2014; Jackson, 2015; Sowcik *et al.* (Eds), 2015; Bolden and O'Regan, 2016; Chakhoyan, 2017; Gallo and Hlupic, 2019; Ungureanu and Bertolotti, 2020; Whiting, 2020).

On the one hand, there are authors in the *management literature* who want to eliminate management altogether. They argue: "Let's get rid of management! – People do not want to be managed. They want to be led. [...] Stop managing and start leading" (Bennis and Nanus, 1985, p. 22). "To survive in the 21st century, we're going to need a new generation of leaders – *leaders*, not managers" (Bennis, 1997, p. 63, emphasis original). Similarly, there are strong voices regarding the end of management: "We have reached the *end* of management" [...] "Perhaps we should be celebrating the end of management" (Hamel and Breen, 2007, p. 4 and 7). However, others argue that new realities (megatrends) call for new managerial skills and capabilities (Kanter, 2001; Davies *et al.*, 2011; Brent and Dent, 2014). There is a need to change managerial assumptions about people and to develop better management theories (Ghoshal, 2005). There is a need for a more positive approach to deal with people (Lengnick-Hall *et al.*, 2003; Doublestein, 2010; Amaladas, 2015). One need of the 21st century is to reinvent the principles, processes, practices and roles of management (Drucker, 1999; Mintzberg, 1990a, 1990b; Kanter, 2001). This paper aims to identify and demonstrate the core practices of managers.

On the other hand, *leadership literature* discourses call for the help of scholars and practitioners to work more, "to unify, or at least better understand" [...] "to clarify the science *and* practice of leadership – making it more understandable and useful for a broader audience" (Jackson, 2015, in Sowcik *et al.*, 2015, p. 241, emphasis original). According to Salicru (2015, in Sowcik *et al.*, 2015, p. 159), there are large numbers of leadership theories and models, because leadership is a relatively recent area of study

in academia. However, it is still not clear what leadership exactly is what the core practices of leaders are. For example, [Bolden and O'Regan \(2016, p. 438\)](#) write that digital technology has “significant implications for leadership theory, practice and development that, as yet, remain largely unexplored in mainstream academic literature”. There is a need for rethinking leadership theory and practices. There is also a need for a new leadership paradigm, where practices shift from an egocentric to an altrocentric view ([Tshabangu, 2015](#); [Jakubik and Berazhny, 2017](#); [Haanaes, 2020](#)). The aim of this paper is to identify these new, emerging leadership practices.

Furthermore, PW is gaining a pivotal role in management and leadership research, theory and practice. Consequently, wisdom and PW attract significant attention in the contemporary management and leadership literature ([McKenna and Rooney, 2005](#); [Nonaka and Toyama, 2002, 2007](#); [Nonaka et al., 2008](#); [McKenna et al., 2009](#); [Dobson, 2010](#); [Rooney et al., 2010](#); [Nonaka and Takeuchi, 2011](#); [Banerjee, 2014](#); [Ekmekci et al., 2014](#); [Nonaka et al., 2014](#); [Amaladas, 2015](#); [Solé, 2017](#); [Bachmann et al., 2018](#)). For example, [Bachmann et al. \(2018, pp. 152-155\)](#) reviewed PW in leadership, decision making, strategy, organizational studies and HRM in literature from 1989 to 2015. Based on their extensive review, they identify contemporary topics ([Bachmann et al., 2018, pp. 156-157](#)) such as the following: the role of PW in ethical decision making and in handling unpredictability and complexity; the integrative, holistic and balancing capacity of PW; diversity, cultural, spiritual and religious experiences; pragmatism and right, credible and inspiring goals. The result of their study is a “conciliatory conception” of the eight core features of PW in management ([Bachmann et al., 2018 Table 5, p. 157](#)). While acknowledging the vast and deep discussions of PW’s characteristics in the management and leadership literature, there is a need to show *how* these features of PW can manifest themselves in practice. Therefore, this paper aims to visualize the decisive role of PW in both management and leadership core practices.

Research questions

[Figure 1](#) presents the main research question and the four sub-questions.

Research design

The research design follows the “research onion” ([Saunders et al., 2019, p. 130](#)) layers: research philosophy, approaches to theoretical development, methodological choices, strategy, time horizons, data collection and analysis techniques.

The research philosophy was decided upon by applying the Heightening your Awareness of your Research Philosophy (HARP test) developed by Bristow and Saunders ([Saunders et al., 2019, pp. 161-164](#)). This test provides an opportunity to compare five research philosophies, helping the researcher to explore his or her philosophical standpoint. After conducting the HARP test, the research philosophy preferences of the author of this paper were ranked as follows: interpretivism (18 points), critical realism (11 points), postmodernism and pragmatism (10 points each) and positivism (11 points). Therefore, *interpretivism* will be the philosophy used in this research. Interpretivism assumes that the nature of reality (*ontology*) is a complex and socially constructed phenomenon, in which culture, language, and personal interpretations play important roles. Moreover, it is based on multiple meanings, as well as a variety of processes, experiences and practices. Acceptable knowledge (*epistemology*) in interpretivism is extended to include the perceptions and interpretations of theories, with the aim of achieving a new understanding of reality. Interpretivism is value-bound, meaning that the researcher’s own values and interpretations (*axiology*) are key contributors.

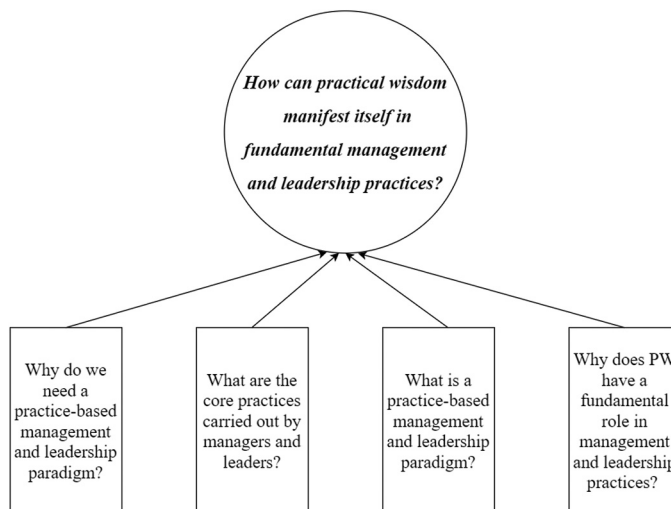


Figure 1.
Research questions

The methodology in this paper is a qualitative literature review of the most relevant and significant sources. The critical literature review takes the following forms: argumentative, integrative, historical, methodological, systematic and theoretical (University of Southern California, 2018). In addition, it is possible to combine these forms. This paper combines integrative and historical reviews. A historical review demonstrates the development of management paradigms over time and it raises the need for a new paradigm, in which PW guides actions. An integrative review pinpoints the paradoxes and highlights diverse views and debates, with the aim of generating a practice-based paradigm. Its purpose is also to show the fundamental role of PW in practice.

Existing management and leadership theories and views are the starting point for a new framework development. The research approach is *inductive* because the proposed model incorporates identified themes and patterns from already existing theories, in order to advance them. The methodological choice is a *qualitative* approach. The research strategy is *theory building*. This is a *cross-sectional* research, as it based on currently existing key theories of management, leadership and PW. *Data* are collected by studying the significant literature, exploring the phenomenon of management and leadership practices, identifying themes, utilizing debates and recognizing the need for further research contributions.

In brief, this research follows the interpretivist research philosophy, inductive approach, qualitative method and a theory building research strategy. It has a cross-sectional time horizon, and its data collection method is a qualitative literature study.

This paper focuses on the actions and practices of managers and leaders. Therefore, to demonstrate how PW can manifest itself in everyday actions, the practice ecosystem framework (Jakubik, 2018, p. 209) will be applied. This tool is based on the evolutionary ontology and epistemology of duality and becoming. The framework is an integration of the human activity theory, theory of practice and organizational knowledge creation theory (including the process model of the knowledge-based firm) and ecosystem theory (Jakubik, 2018, Figures 1 and 2, p. 204 and 205). This framework has been empirically validated in a business and academia collaboration context based on data from 91 business organizations during the period 2007-2016 in Finland (Jakubik, 2019). The model proved to be working for

capturing evolutionary knowledge co-creation processes. Because management and leadership practices are knowledge co-creation practices in a social context, the author of this paper decided to apply it in this new context.

The paper is organized into three main sections, plus references. The introduction highlights the need for this paper, states the research questions and clarifies the research design. The discussion has five subsections:

- (1) highlighting the needs for a practice-based management and leadership paradigm;
- (2) exploring management and leadership core practices in the literature;
- (3) proposing a practice-based management and leadership paradigm;
- (4) discussing the role of PW in management and leadership practices; and
- (5) demonstrating with the practice ecosystem framework the fundamental role of PW in core practices.

In the conclusion, the research questions are answered, practical and research implications presented, and finally, theoretical contributions are indicated.

Discussion

In this part of the paper, the need for a practice-based approach and model in management and leadership, the core practices of managers and leaders and the role of PW in these practices are all discussed, explored, identified and demonstrated. The discussion is organized according to the research questions.

Why do we need a practice-based management and leadership paradigm?

First, this paper explores the need for a modern management paradigm. It argues that the challenges of the knowledge and creative economy, the impact of the internet, digitalization, robotization, globalization and environmental and health crises (e.g. COVID-19) need new solutions. There is a need for very different assumptions about people in organizations and their work. “One does not “manage” people. The task is to lead people. And the goal is to make productive the specific strengths and knowledge of each individual” (Drucker, 1999, pp. 21-22).

The need for this paper coincides with the current discourse in management literature. There is an increased need for new skills to meet the challenges of the 21st century. Researchers, Davies *et al.* (2011) from The University of Phoenix Research Institute, identified six disruptive drivers and their impacts on the working environment:

- (1) extreme longevity – increasing global lifespans change the nature of careers and learning;
- (2) rise of smart machines and systems – workplace robotics nudge human workers out of rote, repetitive tasks;
- (3) new media ecology – new communication tools require new media literacies beyond text;
- (4) computational world – massive increase in sensors and processing power make the world a programmable system;
- (5) super-structured organizations – social technologies drive new forms of production and value creation; and
- (6) globally connected world – increased global interconnectivity puts diversity and adaptability at the center of organizational operations (Davies *et al.*, 2011, 3-5).

According to [Davies et al. \(2011, 8-12\)](#), there are ten important skills needed to face the challenges of the working environment: sense-making, social intelligence, novel and adaptive thinking, cross-cultural competency, computational skills, new media literacy, transdisciplinarity, design mindset, cognitive load management and virtual collaboration. Managers of the future will face these work challenges and therefore, they will need these essential skills to succeed.

[Whiting \(2020\)](#) argues that the top ten job skills in 2025 will be: analytical thinking and innovation; active learning and learning strategies; complex problem-solving; critical thinking and analysis; creativity, originality and initiative; leadership and social influence; technology use, monitoring and control; technology design and programming; resilience, stress tolerance and flexibility; reasoning, problem-solving and ideation. Similarly, [Gallo and Hlupic \(2019\)](#), [Poszytek and Jeżowski \(2020\)](#) discuss analogous skills and competencies needed to work effectively in the era of digitalization and automatization.

In the knowledge and creative economy, the most critical factor in production and services is the human factor. Leadership and management are about people. [Peters and Waterman \(1982\)](#) argue that the main lessons learned from researching excellent companies are that:

They treat people as adults. Treat them as partners; treat them with dignity; treat them with respect. Treat *them* – not capital spending and automation – as the primary source of productivity gains ([Peters and Waterman, 1982](#), p. 238, emphasis original).

A manager's responsibility is to take care of this unique and precious resource. Managers should understand what people want from their work:

Employees want to come to a place where they feel that they have a purpose, are doing worthwhile work, and can make a difference. They want to feel a part of things. And they want to be recognized and appreciated ([Studer, 2003](#), p. 110).

Leaders and managers need to change their assumptions about people as expenses to the organization. They need to change their own roles in the organization. [Lengnick-Hall et al. \(2003, 33-43\)](#) argue that these new roles are as: human capital steward, knowledge facilitator, relationship builder and rapid deployment specialist. Earlier, [Mintzberg \(1990a, 1990b\)](#) also claimed that managers have ten interpersonal roles: figurehead, leader and liaison; informational roles: monitor, disseminator and spokesperson and decisional roles: entrepreneur, disturbance handler, resource allocator and negotiator. While all of these roles are important, the emphasis should be on interpersonal roles. Involving and empowering people is probably the most important role. [Peters \(1991, pp. 339-465\)](#) summarizes his ten people premises as follows:

[. . .] involve everyone in everything, use self-managing teams, listen/celebrate/recognize, spend time lavishly on recruiting, train and retrain, provide incentive pay to everyone, provide an employment guarantee, simplify/reduce structure, reconceive the middle manager's role and eliminate bureaucratic rules and humiliating conditions ([Peters, 1991](#), p. 341).

To manage and lead people managers need coaching, influencing, facilitating, team building, motivation, performance management, conflict management and relational intelligence ([Brent and Dent, 2014](#), pp. 47-170).

Management is practiced on three levels – information, people and action ([Mintzberg, 2003](#), in [Mintzberg et al., 2003](#), pp. 38-44). On the information level the main managerial practices are communicating and controlling. On the people level management's linking and leading practices are important, such as motivating, empowering and participative management. [Mintzberg \(2003, p. 41\)](#) adds that "managers certainly do much more than lead the people in their own units," but managerial work cannot be understood without the

leadership dimension. On the action level managers act and do. They are “doers,” they are directly and proactively involved in project and problems, and they get close to the action.

The need for reinventing leadership and management is not new. Already in the 1990’s, [Drucker \(1993, pp. 372-373\)](#) suggested the following tasks for managers of tomorrow:

He (sic). must manage by objectives; He must take more risks and for a longer period ahead; He must be able to make strategic decisions; He must be able to build an integrated team; He will have to be able to communicate information fast and clearly; He must be able to see the business as a whole and to integrate his function with it; He will have to learn to see economic, political and social developments on a world-wide scale and to integrate world-wide trends into his own decisions.

Others argue that new realities (megatrends) call for new managerial capabilities. The needs of the 21st century are to reinvent the principles, processes and practices of management ([Drucker, 1999](#)). It is important to note that reinventing management is a change that requires special skills. [Kanter \(2001, pp. 258-280\)](#), a Harvard Business School professor, argues that the following skills are needed for innovation and change: sensing needs and opportunities – turning in to the environment; kaleidoscope thinking – stimulating breakthrough ideas; setting the theme – communicating inspiring visions; enlisting backers and supporters – getting buy-in and building coalitions; developing the dream – nurturing the working team; mastering the difficult middles – persisting and persevering and celebrating accomplishments – making everyone a hero. However, reinventing management can be done only by managers themselves. Managers should reinvent themselves first. Therefore, these skills are essential for modern management and leadership practices. Next, this paper focuses on practices.

What are the core practices carried out by managers and leaders?

Leadership and management practices, actions are determined by assumptions about human beings. These assumptions have changed over the history of management. According to [Jewell \(1996, pp. 489-497\)](#) there are four distinctive schools of thoughts on management: dogmatic, humanistic, pragmatic and holistic. In the dogmatic approach to management (the mid 1840’s to the beginning of the 1900’s) people were assumed to be “rational, economic animals,” *homo economicus*. Work was seen as fragmented and divided into independent tasks that could be measured to increase efficiency. The humanistic approach to management (the 1930s and 1940s) assumed that a human being was a “social animal” and argued that good human relations improve the performance of both people and the organization. In the 1950s, the pragmatic approach to management viewed people as “complex men”. It focused on creativity rather than efficiency, and it questioned the idea that a single best solution exists for any given problem. The holistic school of management, in place since the 1950s and 1960s, focused on relationships between humans and their environment, and has assumed that people are “men of relationships”. It is important to understand the assumptions about human beings because they guide leadership and management practices. Next, who the managers and the leaders are is discussed.

In the literature, there is an ongoing debate about management versus leadership roles, functions, practices and skills. [Maxwell \(1993, p. 11\)](#) writes, “Making sure the work is done by others is the accomplishment of a manager. Inspiring others to do better work is the accomplishment of a leader”. [Bennis \(1997\)](#) has strong distinctions between leaders and managers. For example, he claims that:

The manager administers; the leader innovates. [...] The manager maintains; the leader develops. [...] The manager relies on control; the leader inspires trust. [...] The manager asks how and

when; the leader asks what and why. [...] The manager accepts the status quo; the leader challenges it. [...] The manager does things right; the leader does the right thing. [...] *Managers are necessary; leaders are essential* (Bennis, 1997, pp. 63-64, emphasis original).

According to Peters (1991) the ten premises for leaders are:

[...] master paradox, develop an inspiring vision, manage by example, practice visible management, pay attention/more listening, deter to the front line, delegate, pursue 'horizontal' management by bashing bureaucracy, evaluate everyone on his or her love of change, create a sense of urgency (Peters, 1991, p. 470).

If leaders have managerial roles then the question is: Why do we have this strong dichotomy between management and leadership?

A comparison of leadership and management is provided by Huczynski and Buchanan (2007, pp. 694-729). It states that leaders are like prophets and catalysts; they are mover-shakers and strategists. Leadership functions are establishing direction, aligning people, motivating and inspiring and producing positive, and in many cases, even dramatic changes. According to Huczynski and Buchanan, managers are technicians and problem-solvers. Management functions are planning and budgeting, organizing and staffing and controlling and problem-solving, as well as producing order, consistency and predictability (Huczynski and Buchanan, 2007, p. 698). Similarly, Hislop (2009, p. 261) compares leadership and management according to their primary roles, key tasks, people management roles and impact on culture, values and structure. His conclusion is that (micro) management is short term, operational, focuses on goal setting and reward management and reinforces the existing culture and values. On the contrary, leaders are those who provide long-term and inspiring vision and intellectual stimulation, as well as developing new values and vision. The author of this paper questions these big differences between the roles, skills and practices of today's managers and leaders.

Three groups of the ten roles of managers are identified by Mintzberg (1990b, pp. 168-172). First, interpersonal roles include those of leader, figurehead and liaison. Second, informational roles of managers include monitoring, disseminating and being a spokesperson. Decisional roles, as the third group of managerial roles, include being an entrepreneur, disturbance handler, resource allocator and negotiator. From these ten roles it is clear that Mintzberg (1990a, 1990b) considers the leadership role as one of the managerial roles. In his view, the roles of management and leadership overlap; the border between management and leadership is blurred.

Regarding 21st century leaders, Mack (2015, pp. 9-22) identifies the following skills: communication, curiosity, the ability to judge validity, thinking and reasoning, questioning assumptions, problem solving and self-discipline. Likewise, Prentice (2013, pp. 177-189) focuses on leaderships roles and argues that a leader in the digital age is a person who encourages others, has different perspectives, acts differently, tries new approaches, learns and unlearns, has empathy and is future oriented. Further, she adds that ideal leaders have the ability to work with others, understand ethical complexities, communicate, collaborate, are passionate about their work and work in teams with an open mind. The question arises: Are these skills also necessary for managers? In a small-scale research, asking 35 middle managers in Finland about their roles and skills in the digital economy, Jakubik and Berazhny (2017, pp. 471-483) conclude that the new leadership paradigm will focus on learning, creativity, innovation, trust, collaborative learning, co-creation, sharing and communicating in networks and connecting people rather than commanding and controlling them.

The business environment is in a constant state of change. Therefore, in this complex context, the roles of leaders are pivotal. Peters (1991, pp. 467-577) writes that:

[. . .] the chief job of the leader, at all levels, is to oversee the dismantling of dysfunctional old truth and to prepare people and organizations to deal with – to love, to develop affection for – change per se, as innovations are proposed, tested, rejected, modified and adopted [Peters \(1991, p. 468\)](#).

Supporting the transformational leadership role, [Kotter \(1996, pp. 25-30\)](#) argues that managers' practices involve planning and budgeting, organizing and staffing, controlling and problem-solving, while leaders establish direction, align people, motivate and inspire. [Kotter \(1996, p. 26\)](#) says that "successful transformation is 70 to 90% leadership and only 10 to 30% management". Kotter criticizes university management programmes, as they focus on teaching management and teach very little about leadership. Furthermore, [Bennis and Nanus \(1985, pp. 13-18\)](#) argue for transformative leadership:

[. . .] effective leadership can move organizations from current to future states, create visions of potential opportunities for organizations, instil within employees a commitment to change and instil new cultures and strategies in the organization ([Bennis and Nanus, 1985, p. 17](#)).

Indeed, in the knowledge and creative economy we will need more leadership skills, as the environment is complex and fast changing, making people become the most important resource for success. The question is, however, can or should managers also have these skills?

What do managers do? This is a question that has fascinated researchers since the birth of management ([Jewell, 1996, pp. 489-497](#)). In the mid-1800s, classical organization theory (Henri Fayol), the theory of bureaucracy (Max Weber), and scientific management theories (Frank and Lillian Gilbreth, Henry Gantt, Frederick Taylor) were developed. Fayol assumed that managers have five main roles: forecasting and planning, organizing, commanding, coordinating and controlling. Weber, among others, emphasized organizational efficiency and rationality, specialization, authority, position, formal rules and processes, impersonality and qualifications. The theory of scientific management argued for a greater division of labor into controllable tasks, standardization, efficiency, discipline, planning and scheduling. Later, in the 1930s and 1940s, the focus of management work shifted to social systems, human relations, group cohesion and motivation (Maslow, Herzberg, McGregor, McClelland). In the 1950s, the focus shifted to pragmatic approaches in management, as it was important that managers encourage creativity rather than efficiency. Management work in the 1950s and 1960s emphasized social relationship building, change management, social and technical systems alignment and increased interaction with the environment.

Questioning the existing assumptions about the work of managers, [Mintzberg \(1975\)](#) published his paper *The Manager's Job: Folklore and Fact*, where he argues against the following four old assumptions about the manager's job: the manager is a reflective, systematic planner; the effective manager has no regular duties to perform; the senior manager needs aggregated information, which a formal management information system best provides and management is, or at least is quickly becoming, a science and a profession. [Mintzberg \(1975\)](#) points out that a manager's work is characterized by "brevity, variety and discontinuity" and that they are more action than reflection oriented. They have regular duties, meetings, negotiations and rituals and ceremonies, and they are sensitive to tacit knowledge. Managers like more verbal communication, meetings and telephone calls than they do written reports. Managers heavily rely on their judgements and intuitions. In addition, [McCormack \(1995, ix\)](#) considers:

[. . .] the root activities of a manager – establishing his or her authority, making smart decisions, hiring (and keeping) good employees, controlling costs, anticipating and dealing with crises, running effective meetings and maintaining growth.

Further, [Drucker \(1993, pp. 3-23\)](#) discusses the role and jobs of management, as well as challenges to it. He argues that managers have four important functions: "Management must

always, in every decision and action, put economic performance first” [. . .] “*Management’s first job is managing a business*” (Drucker, 1993, p. 7 and 8, emphasis in original). He continues that “Management’s second function is [. . .] to make a productive enterprise out of human and material resources” (Drucker, 1993, p. 12), i.e. managing managers. “The final function of management is to manage workers and work” (Drucker, 1993, p. 14). A fourth additional function or dimension of management work is time. “Management always has to consider both the present and the long-range future” (Drucker, 1993). This paper takes the practice perspective on leadership and management because, concurring with Drucker (1993, pp. 9-10), “Management [. . .] is a practice, rather than a science or a profession, though containing elements of both”.

However, the author of this paper questions the assumption that the *first* job of management is to manage the business. Concurring with Hamel and Breen (2007), she argues that the first function of managers and leaders is to take care of people. In the creative and mind economy people, their creativity, ideas, human initiatives, knowledge, passion and innovation become the most important factor in value creation. Hamel and Breen (2007, pp. 57-60) refer to a survey conducted in 2005 of 86,000 employees working in large and medium-sized companies in 16 countries. They argue that 95% of value creation was related to human capabilities such as intellect, initiative, creativity and passion. Only 5% of value contribution was governed by obedience and diligence. This clearly shows that the primary focus of management shifted to people, and that it should be on people.

In brief, from this discussion and some examples, it seems to be evident that there are more similarities than differences between the essential functions, roles, skills and practices of leaders and managers. This historical view on how the work and practices of managers changed is vital as this paper aims to demonstrate that leadership and management practices are continuously evolving and converging. Next, because of the challenges of the 21st century, whether managers should become leaders is discussed.

The author of this paper concurs with Bennis (1997) that we need a new generation who will combine management and leadership. Furthermore, she concurs with him that there is the need for a new mindset that focuses on acknowledging, creating and empowering employees. However, the author disagrees with Bennis (1997) who argues that “to survive in the 21st century, we are going to need a new generation of leaders – *leaders*, not managers” (Bennis, 1997, 63, emphasis original). The author of this paper believes that we need *both* managers and leaders to succeed in the 21st century. Obviously, there are intensified discussions about whether leadership is one of a manager’s functions or whether management is a role that leaders should carry out.

Should managers become leaders or leaders become managers? From the previous discussion about the roles, qualification and work practices of leaders and managers it is obvious that leadership and managerial roles and tasks overlap (Mintzberg, 1990a, 1990b). The author of this paper concurs with Mintzberg (1990b) that managers have a leadership role as well as their role of dealing with people. However, this leadership role of managers has become pivotal in the knowledge and creative economy. Managers’ interpersonal roles, such as empowering, energizing, engaging, motivating, inspiring and relationship building, are crucial in the digital economy. The author of this paper strongly believes that the informational and decisional roles of managers are of a secondary and tertiary nature when compared with their interpersonal roles. The 21st century requires a new leadership and management paradigm due to constant pressures and changes in the business environment. The existing strong dichotomy between leaders and managers should be abolished, and there is the need for a practice-based paradigm.

What is a practice-based management and leadership paradigm?

In this paper, “paradigm” is used as a “model,” perspective, or as an emerging school of thoughts on leadership and management. The concept of paradigm was developed by [Kuhn \(1970\)](#). He argued that paradigms should provide models and solutions to a community of practitioners, in this case to leaders and managers. In the new leadership and management paradigm proposed in this paper, practitioners of it are leaders and managers guided by PW. Changes in their practices could be understood as a scientific revolution, where practitioners go through a “gestalt shift,” i.e. a paradigm shift, moving from an old to a new paradigm. This shift, however, takes a long time because “older and more experienced scientists tend to hold out indefinitely, and a paradigm shift does not occur until these last adherents die” ([Shareef, 2007](#), p. 275). However, this shift is already taking place now.

What the future of management will be depends on how we make sense of our past and present experiences and knowledge related to management and leadership and how we imagine their future. Old paradigms will change when a so called “axial point” is reached, i.e. “when some new height of vision is sought, where some fundamental redefinitions are required, where our table of values will have to be reviewed” ([Bennis and Nanus, 1985](#), p. 13). Correspondingly, [Grove \(1997](#), pp. 32-35) argues that old paradigms change when a “strategic inflection point” is reached:

An inflection point occurs where the old strategic picture dissolves and gives way to the new, [...] a strategic inflection point is when the balance of forces shifts from the old structure, from the old ways of doing business and the old ways of competing, to the new ([Grove, 1997](#), pp. 32-33).

The question is whether leadership and management have reached their “axial point” or “strategic inflection point”? The author of this paper, concurring with other management writers and experts, argues that it is time to have a radical change in leadership and management, and she proposes a new, modern, practice-based paradigm of leadership and management, where PW has a fundamental role.

This paper, drawing on recommendations by [Drucker \(1993](#), pp. 372-373), [Hamel and Breen \(2007](#), pp. 20-21), [Jakubik and Berazhny \(2017](#), pp. 473-475), [Bachmann et al. \(2018](#), pp. 155-160), and based on the discussion above, proposes a PW guided paradigm for core leadership and management practices. The proposed model has five key pillars:

- (1) Envisioning – normative, integrative and pluralism-related features of PW: providing a meaningful future and purpose for work, setting and programming objectives, strategic planning, internal communications, periodic business reviews and providing convincing, right, credible and inspiring goals for a good life
- (2) Enabling – normative-features of PW: amassing and allocating resources, facilitating change, making a difference, accumulating and applying knowledge, knowledge management, coordinating and controlling activities, project management, capital budgeting, balancing and meeting stakeholder demands, well-being of employees, work-life balance and providing normative guidance for a good life
- (3) Energizing – personality and limitation-related features of PW: motivating and aligning effort, training and developing, hiring and promotion, developing and assigning talent, employee assessment and compensation, appreciation, caring, coaching, building and nurturing relationships, collaborating, connecting people, shifting from egocentric to altocentric views, balancing tensions and critical reflections, being an authentic role-model and emotional and social intelligence
- (4) Engaging – integrative, socially-linked, pluralism and culture-related features of PW: inspiring, caring, empowering, involving, providing worthwhile purpose,

tolerance of diversity and cultural differences, building trust, belonging, building community, learning organization, providing autonomy, freedom, self-development, self-actualization, career advancement, work-life balance and a relaxing and safe working environment where people can flourish

- (5) Executing – action-oriented, socially-linked, pluralism and culture-related features of PW: “walking the talk,” being authentic, doing, implementing, innovating, improving, making a difference and a change, making wise choices and decisions and caring about the broad (i.e. social, cultural and environmental) impacts of practices

This proposed, practice-based model is somewhat similar to the [Five E's of Effective Leadership \(2019\)](#) model suggested by Dupuis: envision, express, excite, enable and execute. This also supports the argument of this paper that the roles of management and business leaders are converging and are to a large extent overlapping.

Why does PW have a fundamental *role* in management and leadership practices?

Wisdom, the wisdom economy, wisdom management, wise leaders, wise managers and PW attract enormous interest, not only in philosophy and psychology, but also in the contemporary management and leadership literature. [McKenna and Rooney \(2005\)](#) approach wisdom management from the human resources management perspective and argue that “it is likely that wisdom management will be weakened by a lack of knowledge about wisdom”. [McKenna et al. \(2009\)](#) and [Ekmekci et al. \(2014\)](#) write about wise and unwise leadership. In the management literature, wisdom management and PW (*phronesis*) are discussed *vis-à-vis* the concept of wise leaders. “Researchers suggest that, when considering the necessity of rational judgment, it is a requirement of having a capacity to reveal the counter-intuition, vision and humanistic skills of wisdom management” ([Ekmekci et al., 2014](#), p. 1202). [Rooney et al. \(2010\)](#) call for more wisdom research, arguing that “wisdom and management in the knowledge economy explains why unwise managerial practice can happen in a world characterized by an excess of information and knowledge”. According to [Banerjee \(2014\)](#), knowledge and wisdom management are related, as “contemporary literature does not cite Wisdom Management as a separate topic – it is linked with Knowledge Management as an application”.

[Nonaka et al. \(2014\)](#) argue that “wisdom has begun to enjoy a revival as a subject of scholarly concern, at least in management and organization studies”. They write that:

[...] to be wise is to acknowledge the limits and limitations of formal knowledge and its sometimes undesired effects, how it twists and turns the world, folding it into shadows as much as it opens up novel possibilities for consideration ([Nonaka et al., 2014](#), p. 367) and

[...] to be wise is to be able somehow to cope with a situation that is bewildering, or uncertain in ways that allow us to come to some kind of judgment, not only about the nature of the experience but how to respond ([Nonaka et al., 2014](#), p. 373).

Nonaka

[...] finds in wisdom a way of showing what is good, collectively, about an organization and its productive powers and argues persuasively why it is that wise leaders are able to do what is good for their companies and for society by understanding the higher moral purpose of what they do while remaining grounded in everyday detail ([Nonaka et al., 2014](#), p. 368).

Furthermore, [Nonaka et al. \(2008\)](#) see PW (*phronesis*) in the role of guiding and integrating know-how (*techne*, skills and competencies) and know-what (*episteme*, knowledge). In this sense, PW provides the know-why, the aims of acting wisely and practicing goodness.

The wisdom economy needs to be based not only on rationally grounded actions, but also on seeing further, i.e. seeing the impact of our actions on the environment, nature, other people and ultimately on humanity as a whole. Leaders' and managers' actions need to be based on ethical and moral considerations, and on values directing the organization towards achieving the common good and flourishing. Concurring with Flyvbjerg (2001), management and leaders should think about the broader consequences of their actions and ask themselves: Where are we going? Who gains, who loses, and by which mechanisms of power is this done? Is this development desirable? What should we do about it? The wisdom economy, according to Dobson (2010), is ethical, considers social values, value judgements are attached to knowledge, is reflective, wants innovations with purpose and considers their consequences, understands "enough," demands attitude and aptitude, is collaborative, reinforces sharing knowledge, values community work and relationship-based actions that build self-esteem and skills, is gracious and is socially responsible. He concludes that "a wisdom economy isn't yet another "new economy". But it could give us the tools to make better choices about the one we've got".

To move from a knowledge to a wisdom economy we will need wise managers and leaders. McKenna *et al.* (2009) develop and discuss five propositions of wise leadership. They argue that wise leaders:

- (1) use reason and careful observation;
- (2) allow for non-rational and subjective elements when making decisions;
- (3) value humane and virtuous outcomes;
- (4) have practical actions oriented towards everyday life, including work; and
- (5) are articulate, understand the aesthetic dimension of their work and seek the intrinsic personal and social rewards of contributing to a good life (McKenna *et al.*, 2009, pp. 178-180).

Similarly, Nonaka and Takeuchi (2011) argue that wise leaders (i.e. *phronetic* leadership) can:

- judge goodness;
- grasp the essence;
- create shared contexts;
- communicate the essence;
- exercise political power; and
- foster PW in others.

PW is reviewed by Bachmann *et al.* (2018) from philosophical, theological, psychological and managerial perspectives. They argue that these different perspectives complement one another. In their multidisciplinary review, they claim and discuss how PW has the following features: action-oriented, integrative, normative, sociality-linked, pluralism-related, personality-related, cultural heritage and limitation-related (Bachmann *et al.*, 2018, p. 157, Table 5). They conclude:

Practical wisdom improves managerial reasoning, decision making, and acting, concurrently (1) integrating and balancing several, often competing interests, rationalities, emotions, challenges and contexts, (2) orientating towards normative guidance of human flourishing, (3) considering the indispensable sociality of every human being as well as (4) today's multi-layered diversity in life and society, (5) acting appropriately and authentically in a self-aware manner, (6) rediscovering transmitted cultural and spiritual heritage, (7) being aware of the incompleteness of human existence and humble in the face of one's own achievements and capabilities and (8) targeting always realization in practice (Bachmann *et al.*, 2018, p. 162).

Based on the eight features of PW, identified by [Bachmann et al. \(2018, Table 4, p. 157\)](#) the following figure was created with the practice ecosystem framework to shows how PW is realized in practice.

Summing up, this paper first discussed the need for a practice-based management and leadership paradigm, then explored management and leadership practices in the literature. Next, a practice -based paradigm was proposed. Finally, the emerging role of PW in management and leadership practices was discussed and presented ([Figure 2](#)). Next, it will be shown how PW can manifest itself in core practices of managers and leader.

How can practical wisdom manifest itself in fundamental management and leadership practices?

The goal of this paper is not only to explore the fundamental management and leadership practices and features of PW in contemporary management literature, but also to create a practice-based model and to visualize how PW can manifest itself in these practices. For this purpose, the practice ecosystem framework ([Jakubik, 2018](#)) is applied in [Figures 3-7](#).

Conclusion

After providing a brief conclusion, the research questions are answered. Then, possible practical and research implications are indicated, and the theoretical contributions of the paper are addressed.

From the discussion based on the management, leadership and PW literature, the followings can be concluded:

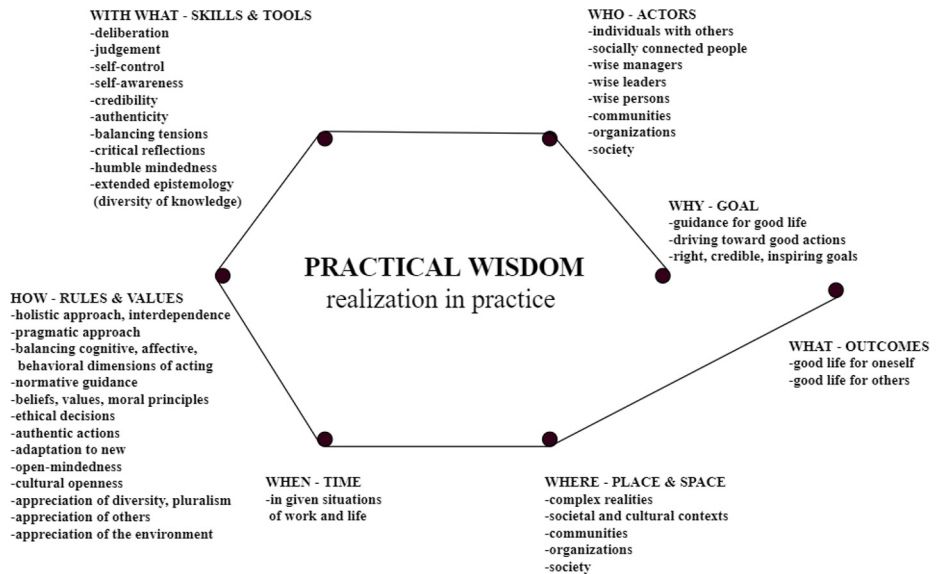


Figure 2.
Realizing PW in practice

Source: Author, created based on [Bachmann et al., 2018, pp. 155-160](#)

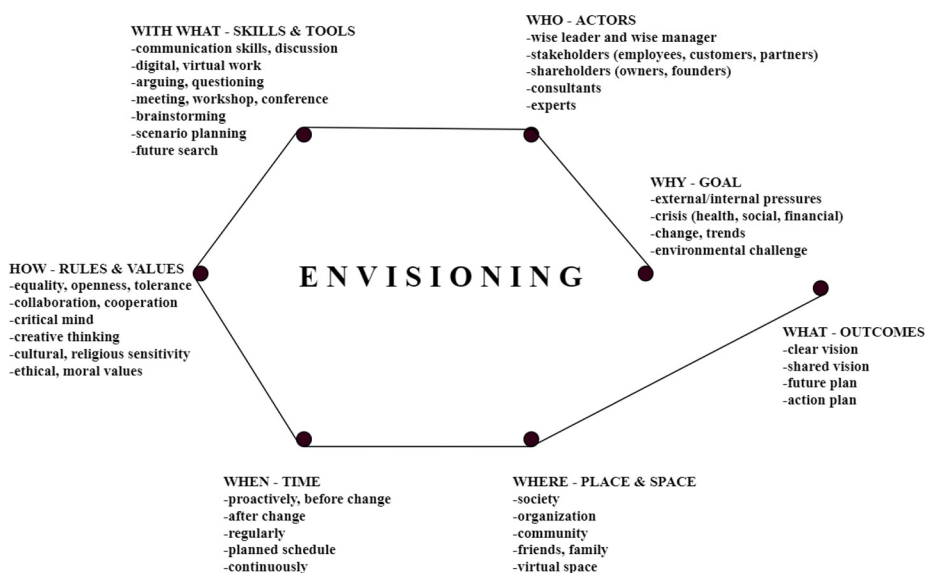


Figure 3.
Envisioning as PW-
guided practice

Source: Author

- There is an increasing role of PW in the management literature (McKenna and Rooney, 2005; McKenna *et al.*, 2009; Ekmekci *et al.*, 2014; Banerjee, 2014; Nonaka *et al.*, 2014; Dobson, 2010; Bachmann *et al.*, 2018).
- The focus in management roles is shifting to people as the key value creators in the creative economy (cf., Peters and Waterman, 1982; Peters, 1991; Lengnick-Hall *et al.*, 2003; Hamel and Breen, 2007).
- There is a convergence of roles, functions, skills and practices of managers and leaders (Mintzberg, 1990a, 1990b; Peters, 1991), and it's time to abolish the dichotomy between managers and leaders.
- There is a clear need for a paradigm shift in leadership and management practices (Bennis and Nanus, 1985; Bennis, 1997; Grove, 1997; Jakubik and Berazhny, 2017).
- There is a need for paradigm shift to a new mindset in thinking from COPs (control, order and predict) to ACEs (acknowledge, create and empower) (Bennis, 1997, p. 185).
- There is a need of moving from the idea of command and control to that of collaborate and connect (Friedman, 2006, pp. 248-249; Jakubik and Berazhny, 2017, pp. 471-483).
- There is a need to change the old assumptions about people and management theories (Peters, 1991; Kotter, 1996; Kanter, 2001; Ghoshal, 2005).
- There is a need for closing the gap between practice and theory (Ungureanu and Bertolotti, 2020).
- The challenge in reinventing leadership and management is taking actions, i.e. "walking the talk," where business schools' education could play a crucial role (Bennis, 1997, pp. 145-148; Ghoshal, 2005; Remenyi *et al.*, 2019).

Below are brief answers to the research questions (cf., Figure 1) addressed in this paper;

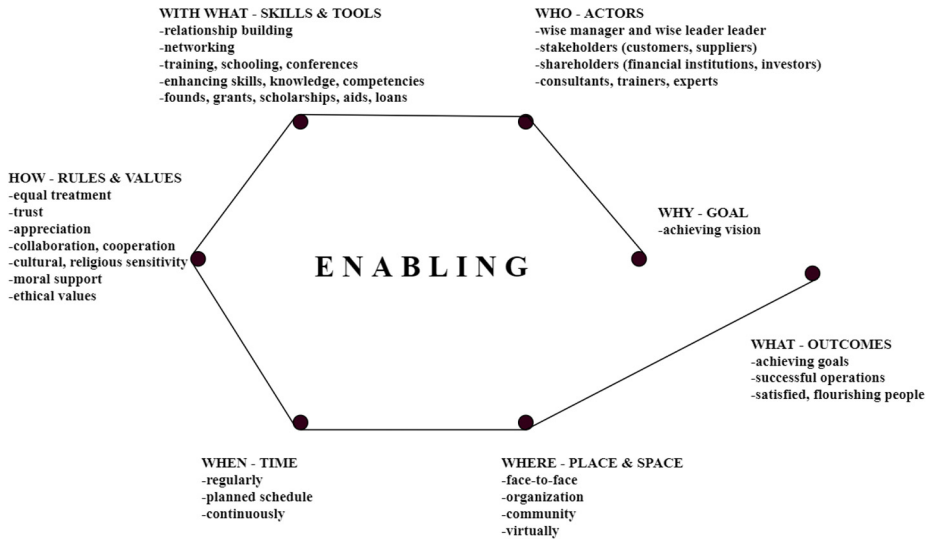


Figure 4.
Enabling as PW-
guided practice

Source: Author

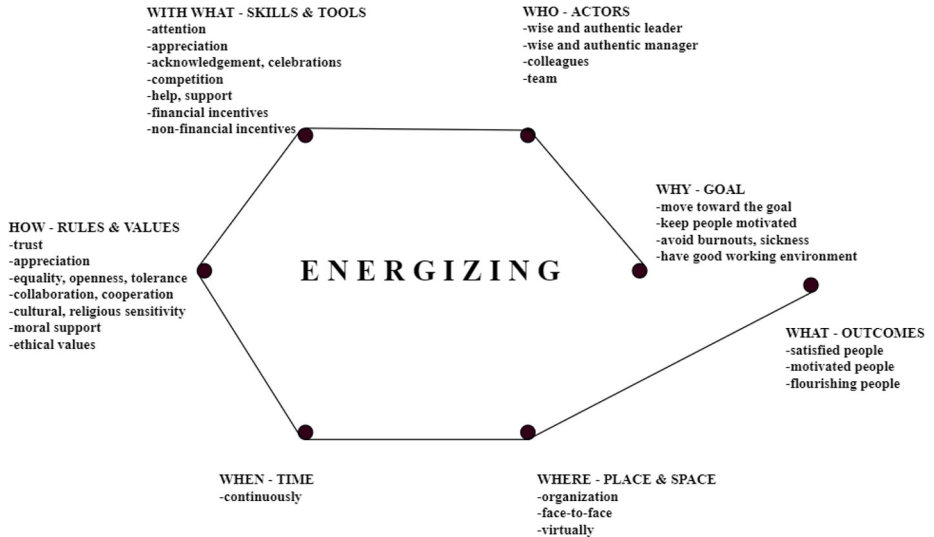


Figure 5.
Energizing as PW-
guided practice

Source: Author

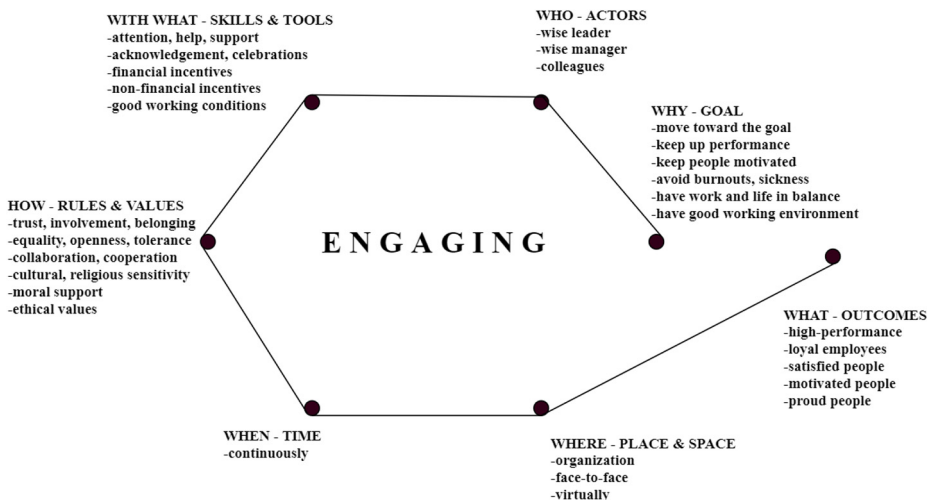


Figure 6.
Engaging as PW-guided practice

Source: Author

RQ1. Why do we need a practice-based management and leadership paradigm?

Because of the radical changes in the business environment (financial, political, environmental, health, moral crises, etc). there is pressure to renew not only the relevant theory (Ghoshal, 2005), but also the role, skills and practices of management and leadership. Due to digitalization (Tapscott, 1996) there are fundamental changes in how we work (Davies et al., 2011). Leaders and managers are capable of working remotely, which creates challenges to their old practices. There



Figure 7.
Executing as PW-guided practice

Source: Author

is fundamental need to change old assumptions about people, and to see them as the key factor of value creation in the knowledge economy. There is an increased need for treating people differently (Peters and Waterman, 1982), with more respect, involvement, engagement, coaching, influencing, facilitating, team building and motivation. Leaders and managers should provide meaningful, inspiring goals for individuals to flourish. There is a need for performance management, conflict management and social and emotional intelligence, as well as for a more participative management. Indeed, Drucker (1993) is correct in saying that management and leadership is firstly and most importantly a practice, and only then a science or a profession. Briefly, these are the main arguments that support the need for a practice-based approach of management and leadership;

RQ2. What are the core practices performed by managers and leaders? What is a practice-based management and leadership paradigm?

Mintzberg (1990a, 1990b) and Bennis (1997) are right that the roles of management and leadership overlap, and that the border between management and leadership is blurred. Therefore, their roles, skills and practices are converging. We need *both* managers and leaders in the creative economy. Their primary focus needs to shift to people, and they need more positive assumptions about people. Based on the management and leadership literature discussed in this paper, the following core practices were identified: envisioning, enabling, energizing, engaging and executing. These are the five pillars of the proposed paradigm;

RQ3. Why does PW have a fundamental role in management and leadership practices and how can this be visualized?

Wisdom and PW are experiencing a revival in the management literature. Businesses started to realize that not only rational, profit-oriented goals are needed; there is also the need for non-financial and more altrocentric thinking. Wise leaders and managers should think about the common good and a better life for all generations and societies. They should think about the broader and future consequences of their practices. They should make wise decisions based on moral and ethical values. These are the main reasons why PW started to play a fundamental role in the everyday practices of leaders and managers. This role of PW is visualized by the practice ecosystem framework (cf., Figures 3-7). This tool proved to be appropriate for making explicit and more understandable for a broader audience how different features of PW (cf., Figure 2) can manifest themselves in the practices of leaders and managers.

Practical implications

For managers and leaders, the practical implications are in applying the framework developed in this paper. They can apply the five figures (Figures 3–5) as guiding tools to cultivate PW in their everyday practices.

This paper has implications for management education, traditional educational institutions and educational practitioners because these are the ways how the thinking and actions of the future generations of managers and leaders could be influenced, inspired, and motivated. Management education and business schools play important roles in developing the new skills needed in the digital economy (Tapscott, 1996; Bennis, 1997; Kanter, 2001, pp. 258-280; Davies *et al.*, 2011, pp. 8-12; Prentice, 2013, pp. 177-189; Brent and Dent, 2014; Haanaes, 2020; Whiting, 2020). Tapscott (1996, pp. 198-207) outlines six themes regarding new learning in the digital economy:

- (1) increasingly, work and learning are becoming the same thing;
- (2) learning is becoming a lifelong challenge;

- (3) learning is shifting away from the formal schools and universities;
- (4) some educational institutions are working hard to reinvent themselves for relevance, but progress is slow;
- (5) organizational consciousness is required to create learning organizations; and
- (6) the new media can transform education, creating a working-learning infostructure for the digital economy.

Bennis (1997, pp. 145-146) argues that a graduate business school should develop critical thinking to make sense of the world, foster socio-emotional skills (i.e. interpersonal, communication and presentations skills), become an extended idea family (i.e. virtual universities and virtual corporations) and require at least four years of related work experience. In Finnish universities of applied sciences, a three-year work experience is legally required for one to become eligible for master's degree studies. In order to develop the new skills for the 21st century, traditional educational institutions should become more entrepreneurial and innovative.

The implications for educational practitioners, teachers and professors are that they should approach education as more student and problem focused, rather than discipline focused. Teachers should enable a learner's ability to make value judgments, know the consequences of their actions and learn from their mistakes (Ackoff and Greenberg, 2008, p. 7). Learning should be enjoyable, playful and motivating, as well as helping to increase curiosity, confidence, determination, critical thinking and satisfaction. Social learning, active learning, experiential learning, learning by playing and gamification are important in education. Järvillehto (2014, pp. 140-143) provides guidelines for teachers in the new educational paradigm. Teachers should act as coaches, facilitators and guides for learners, as well as engaging them in learning, creating an inspiring, exiting, interesting, safe and challenging learning environment and providing them with support and help, when needed. Bachmann *et al.* (2018) ask a central question about the role of management education in cultivating wisdom:

How to foster future leaders' capacity for practical wisdom in such a way as to pay attention not only to instrumental knowledge and abstract techniques, but also to social, cultural, moral aspects and to the students' personal development as suggested by the conciliatory view of practical wisdom? (Bachmann *et al.*, 2018, p. 160).

The author of this paper argue that educational practitioners' role is vital in creating a better future.

Research implications

Because the leadership and management literatures were selected based on the background and interest of the author, it might be that important sources were overlooked, important issues unintentionally ignored and relevant questions not answered. However, these limitations of the paper are good opportunities for future researchers to further explore the role of PW in leadership and management practices. It could be interesting to investigate the following questions: What are the current leadership and management practices in the 21st century? Who are the "manager-leaders" and who are the "leader-managers"? How can we narrow the gap regarding the strong dichotomy of management and leadership? How and with what other tools can leadership and management practices be observed? What skills will leaders and managers need in a self-managed organization? How can employees who work remotely and people who do not meet face-to-face be accommodated? How can future generations be educated to be more conscious about wisdom and PW in their actions? Furthermore, empirical research (case studies, action research) could validate the proposed model and study how

different features of PW express themselves in the five core practices of the proposed paradigm. The paper calls for an empirical qualitative and quantitative validation of the proposed conceptual model in the management and leadership practices context.

Theoretical contributions

The research strategy of this conceptual paper was theory building. According to Weick (1995) “The process of theorizing consists of activities like abstracting, generalizing, relating, selecting, explaining, synthesizing, and idealizing” (Weick, 1995, p. 389). Theory belongs “most theories approximate rather than realize the conditions for a strong theory” [...] *Theory* belongs to the family of words that includes *guess, speculation, supposition, conjecture, proposition, hypothesis, conception, explanation, model*” (Weick, 1995, p. 385 and 386 emphasizes in original). The theory building process of this paper is characterized by the activities of theorizing because it selected an area of management and leadership theories where there is a need for contribution, it speculated and wondered how to visualize the role of PW in core practices of managers and leaders (cf., Figures 3–7), it related concepts and arguments from the most relevant literature, it built, proposed, and explained a practice-based conceptual model of management and leadership.

Summing up, this conceptual paper contributes to the contemporary discourse regarding the role of PW in leadership and management practices. It proposes a new practice-based paradigm. The original contribution of the paper is in applying the practice ecosystem framework for visualizing the eight features of PW (cf., Figure 2), and for making explicit *how* PW can manifest itself in the identified five core practices (cf., Figures 3–7) of managers and leaders.

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