



Sapientia et doctrina

From Knowledge to Wisdom: Strategic Challenges of Global Business Education

Milan Zeleny
GBA, Fordham University
@Lincoln Center, New York, USA
E-mail: mzeleny@fordham.edu

... to the discovery of Wisdom and the transmission of Learning...

From Fordham's Mission statement

It is Wisdom we should be concerned about and assume leadership of at the Jesuit schools of business.

We should be the leaders, not the followers: if we do not put wisdom at the center of business, management and entrepreneurship education – who will? If not now – at the doorsteps of the global era – when? If not wisdom and ethics – what else should be our calling, mission and charge?

Each of our schools can only be as good as is the network we are all part of. That is why Fordham is sharing its Mission and its commitment to wisdom: either we lead as a network, or we do not lead at all.

Business education is going global and it will never become local, regional or provincial again. Globalization is a one-way street and it is the Jesuit tradition of global reach and mission that offers us a competitive edge.

"Wisdom systems" is a new working term representing a new concept, the next stage of evolution after KM (Knowledge Management), the term coined in 1987. [see Zeleny, M., "Management Support Systems: Towards Integrated Knowledge Management," *Human Systems Management*, 7(1987)1, pp. 59-70.]

Management systems have witnessed a cumulative progression from *data* processing, through *information* technology, to the current *knowledge* management. **The next step is wisdom.**

Corporations can be *informed*, they can be *knowledgeable*, but in the global era they

must increasingly become *wise*. *Wisdom of enterprise*, its definition, taxonomy, achievement and use are the purposes of the “wisdom project.”

Although the term *wisdom* is ancient and laden with substantial and significant philosophical meanings, our aim is not philosophical, but *pragmatic, practical and useful*. Wisdom should become – like knowledge and information – a manageable resource for the corporate spine of 4Es: *Efficiency, Effectiveness, Explicability* and *Ethics*.

Clearly, Efficiency is about doing things right, Effectiveness about doing the right things, Explicability about being able to understand and explain one’s action, and Ethics about assuming responsibility for one’s action. In the end, it is all about deciding, doing, and acting. *It does not matter what we say, the only thing that matters is what we do.*

Taxonomy of knowledge

What is knowledge?

Knowledge is the purposeful coordination of action. Achieving its purpose is its sole proof or demonstration. Its quality can be judged from the quality of the attainment (its product) or even from the quality of the coordination (its process).

What is meant when we say that somebody knows or possesses knowledge? We imply that we expect one to be capable of coordinated action towards some goals and objectives. Coordinated action is the test of possessing knowledge. ***All doing is knowing, and all knowing is doing.***

Every act of knowing brings forth a world. We “bring forth” a hypothesis about the relationships and test it through action; if we succeed in reaching our goal - we know.

Bringing forth a world of coordinated action is human knowledge.

Bringing forth a world manifests itself in all our action and all our being. Knowing is effective [i.e., coordinated and “successful”] action.

| | Technology | Analogy (Baking Bread) | Effect | Purpose (Metaphor) |
|--------------------|-------------|---|---------------------|-----------------------|
| Data | EDP | <u>Elements:</u> H2O, yeast, bacteria, starch molecules | Muddling through | Know-Nothing |
| Information | MIS | <u>Ingredients:</u> flour, water, sugar, spices + recipe | Efficiency | Know-What |
| Knowledge | DSS, ES, AI | Coordination of the baking process → result, product | Effectiveness | Know-How |
| Wisdom | WS, MSS | Why bread? Why this way? | Explicability | Know-Why |

Taxonomy of Knowledge

Our concern, clearly, is the last row of the above table: *the wisdom row*.

While information allows us to do things right (efficiency), knowledge already aspires to also do the right things (effectiveness). Doing the right thing, especially in business, requires not only knowing how, but also knowing why. *Explicability* of purpose is an essential ingredient of its effectiveness in attainment. *Wisdom is about explicability and ethics* of our doing.

Many informed people know what to do, quite a few knowledgeable experts know how to do it, but only a few *wise persons* know why it should (or should not) be done.

The global network of IAJBS is eminently suitable to pursue “the Spine” of 4Es in its business and kindred education. This “spine” puts business education on a logical basis from efficiency to ethics, following the progression from data and information to knowledge and wisdom. Although it departs from the traditional functional structure, it is in search for a more suitable educational model for the global era.

What can IAJBS expect? It is all about differentiation: serving better, being better and answering the challenges of globalization reliably. No IAJBS school can be better than the network of which it is part. No school is an island. So, it is also about sharing strategic visions.

Wisdom Project - Expected effects and impacts

- *Sapientia et doctrina* receives real and institution-wide embodiment
- IAJBS schools will differentiate themselves through “wisdom focus” - a powerful recognition attribute, eminently suitable for the global era
- Students and teachers, through all courses and projects, will pursue wisdom: asking Why, expanding inquiry, and embedding strategic thinking throughout all individual and institutional learning activities
- Any school can aspire to become an Institution of Inquiry, the “Why?” university, demonstrating its wisdom search embodied within its culture
- New courses shall emerge and existing courses will be revitalized by the added dimension, completing the chain of data-information-knowledge-wisdom
- IAJBS schools can assume leadership worldwide in defining, teaching, applying and practicing the wisdom concept, taking it from the realm of philosophy into the realm of human action
- Because ethics and ethical behavior emerges naturally in response to inquiry, to asking “Why?”, we shall assume leadership in evolving ethics as an integral part of our teaching and doing, not as an “imported” partial focus or dimension
- Wisdom is a powerful cross-cultural, cross-generational and universally revered concept and IAJBS could assume leadership in the emerging East-West dialogue
- Wisdom is the bedrock of the Jesuit educational tradition and we could assume initiatives of cooperation and completion, rather than competition, among our member institutions
- Business schools will derive pragmatic benefits and reputation from the active pursuit of concepts like wisdom corporation, inquiring systems, wisdom management, wisdom support systems, and strategy as an attainment of

corporate wisdom

- **Strategy, strategic thinking and strategic inquiry will become permanent rather than project-oriented characteristics of business curricula, allowing innovation spirit penetrate throughout the institution**
- **Promotional, marketing and identification activities will gain another strong and unifying focus**
- **Members of IAJBS community will gain another identity dimension, strengthening the loyalty, pride and identification**
- **“Pursuit of Wisdom” is not an entirely insignificant or negligible strategic vision for IAJBS**

Wisdom: On the Art of Asking Why

Wisdom is *knowing why* things should or should not be done – locally, regionally and globally – and is, and will remain, in short supply. Wisdom is not practiced purposefully and it is not taught at schools.

Asking Why is fundamentally different from asking *How*.

Whenever we explore a coordinated process in the sense of *What* or *How* (What is to be done, how sequenced, how performed, etc.) we already accept and fixate that process. The process is becoming *a given*, subject to learning or mastering, but not subject to exploration or change.

It is only when we start asking *Why* (Why to do it at all, why this operation and not another, why this sequence, etc.) we question the very structure of knowledge (coordination of action) and introduce the possibility of change. The *Whys* and the *Why Nots* are the most important questions in business and management and they should not be taken as givens.

In the global economy, frequent or continuous strategic change will become the norm of competitiveness. Doing the same, given thing better and better (continuous improvement) will be inadequate for strategic success. One has to *do things differently* (not just better) and *do different things*, not just the same ones. Such an important mode of strategic thinking cannot be learned and mastered by asking *How*, but only by asking *Why*.

Strategy and strategic action

All presented concepts of “the spine” of 4Es and the taxonomy of knowledge have one important thing in common: they are all about *action*, all about *doing*.

Only information is always and only about descriptions. *Information is a symbolic description of action*, past, present or future. Yet, business is not about managing descriptions, but about managing action. So, the need to move from information to knowledge and wisdom is tantamount to moving from words to deeds.

Wisdom project would usher in a new era of global corporate strategy. Strategy also is not about statements, but about action. Traditionally, organization executives prepare a set of statements, descriptions of future action: mission, vision, set of goals, plan or pattern for action and similar artifacts. All such statements are information. It all remains to be translated into action, into corporate knowledge.

Our students and future executives are conditioned to ask *How*, how to do it, but rarely search for the wisdom of *Why*. Why should this or that statement be translated into action? More importantly: why not? What should we not change and why? Only then can an effective strategy emerge from what is to be conserved, what is being done already.

Strategy is about what we do, not about what we say we do or desire to do. Strategy is about action, not about the description of action. Strategy is about doing, not about talking about it.

Your strategy is what you are doing. And what you are doing is your strategy.

Wisdom and Ethics

Wisdom and ethics are clearly closely related, often being indistinguishable and inseparable. An unethical person cannot be considered wise. Both concepts are related to strategy and strategic action.

Also ethics, in this context, is about action, about doing.

The most remarkable lapses in ethical behavior have occurred at companies with admirable ethical rules and covenants, stunning ethical vision statements and other elaborate props that simulate and substitute for ethical know-how. Enron's walls were covered with descriptions and statements on ethics. The problem with corporate ethics is not with "knowing" what is right, but with doing right and being good.

Truly ethical behavior does not come from deliberate judgment, decision making, reasoning and learning the rules, but from human coping with immediate circumstances, from *being and acting good*, not just describing what "good" means, out of context and devoid of action.

It is clear that teaching ethics, i.e., providing descriptions, does not necessarily lead to ethical behavior and deeds, to being good and wise.

Ethics, more than anything else, is about what one does, not just about what one says.

There is a difference from reading or learning an ethical rule, and putting it into action consciously and purposefully, or acting ethically through mastering one's microcontext, i.e., *acting ethically* through one's own internal self-interest. In order to be truly ethical, one cannot be consciously and intentionally "ethical."

All about adding value

Knowledge is very *real* and very *tangible*. What can be more tangible than an automobile we have produced, bread that I have baked or milk that she has brought from the stable? Knowledge *produces* very tangible things and very tangible things are the measuring rods of human knowledge.

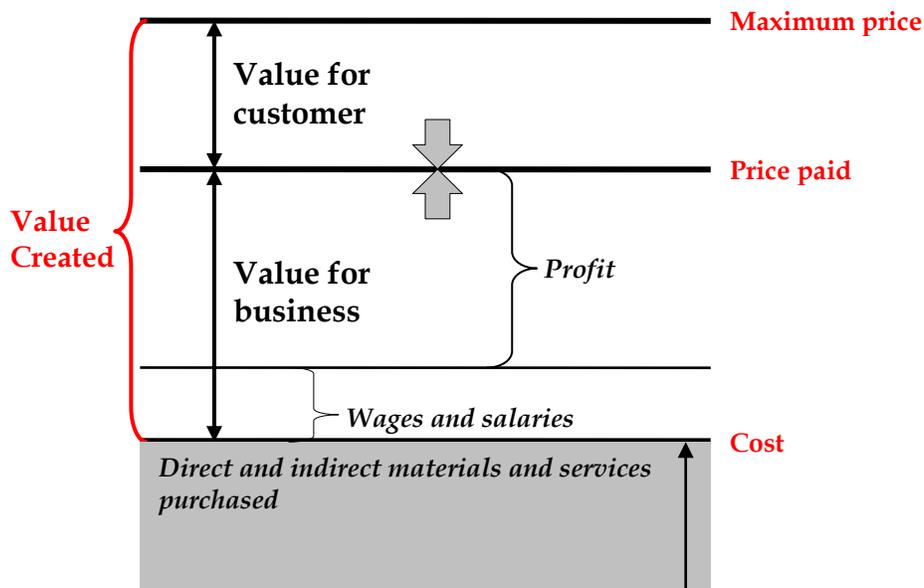
The value of information is intangible, unless it is translated into knowledge and thus into measurable action.

Because knowledge, wisdom and ethics are so intimately related to action and are the products of action, they are eminently *measurable*.

Knowledge is measured by the value our coordination of effort, action and process adds to materials, technology, energy, services, information, time and other inputs used or consumed in the process. *Knowledge is measured by added value.*

In any business (and human) transaction, value has to be *added to both* participants or sides: the provider *and* the customer. Adding value is what makes the transaction satisfactory and sustainable.

There are two kinds of value to be created: *value for the business* and *value for the customer*. Both parties must benefit: the business – in order to make it; the customer – in order to buy it. In the global age it is precisely this business-customer *value competition* that is emerging as the hardest and the busiest battleground.



Adding Value for the Customer

In the above figure we attempt to explain the process of creating new value. This is crucial for the identification and assessment of innovation.

First, the customer pays for the service or product: the *price paid*. The producer subtracts the *cost incurred*, including all direct and indirect materials and services purchased. The difference is the *added value* for the business. This added value can also be interpreted as the *value of knowledge* engaged in producing the service or product. In order to pay wages and salaries, the production process and its coordination must generate this added value. Added value is the only source of corporate wages and salaries and profits.

If the added value does not *cover* the wages and salaries, then these must be correspondingly lowered. If no value has been added, then the value of knowledge is zero and no payment can be attributed to it. The business must add enough value in order to *cover* at least its workers and managers, their salaries and wages. If even more value has been created, then *profits* can be realized, up to the price received.

The customer, of course, must be willing and ready to pay more for the service/product than he actually paid. The *maximum price* the customer would be willing to pay must exceed the price the producer has asked for. The difference is the added *value for customer*.

If there is no value for customer – the maximum price is lower than the price to be paid – then the customer would not buy the service or product.¹ In a competitive market, the customer pays money only for the value received, i.e. the value for the customer.

The Entrepreneurial University

We are entering an era of re-assessment of business programs, shifting from description of action (functional, “scientific” model) towards action itself, i.e. an *entrepreneurial model*.

It is being realized globally that business is a *profession* and business schools are *professional schools*, like schools of medicine and law. Professions are always more about knowledge and wisdom, less about information, always more about doing and less about describing.

It is challenging to contemplate why business schools model themselves more on physics, chemistry and economics and less on medicine and law.

Business *IS* a profession.

Professions work with an *accepted body of knowledge* (not information), *certify and guarantee* acceptable practice, are *committed to the public good*, and rely on an enforceable *code of ethics*.

Professions integrate knowledge and practice in a wise and ethical way, serving the public, focusing on clients’ needs.

Education in business must involve history, moral reasoning, theology, logic and most importantly: practical *knowledge, wisdom and ethics*.

Bennis and O’Toole just wrote: “*The problem is not that business schools have embraced scientific rigor but that they have forsaken other forms of knowledge.*”

Every business school should run its own business, as proposed by Polaroid’s E. Land. This need for practice, innovation and entrepreneurship takes us to the notion of the *entrepreneurial university*.

The entrepreneurial university not only produces knowledge (rather than information) but engages in a new mission of *capitalization of knowledge*. It produces not only graduates and alumni, but also firms and companies: it becomes an economic actor in the regional and possibly – through a network – also in global economic and social development. This new mission puts the university into direct cooperation with the state and corporate sectors, forming the *triad of cooperation*.

From the original “conservatory” of information and knowledge, through the producer and transmitter of information and knowledge, to the *university as an entrepreneur* – that is the vision which the IAJBS network is preeminently and prominently *positioned* to assume global leadership in translating into reality.

The university-industry-government is the proper triad for successful regional development. *New firms and their capitalization* is the proper output of a professional, entrepreneurial school. One-way, linear outflow without feedback is replaced by a self-sustaining cycle of knowledge and wisdom.

¹ Unless *forced to* by circumstances of monopoly or the lack of alternative choices.

The entrepreneurial university still produces graduates and publications, of course, but “packages” them in firms and companies to take the created knowledge out with the newly minted entrepreneurs.

Etzkowitz et al. describe the *Brazilian entrepreneurial university* model as addressing social problems in addition to economic issues. The incubator concept was translated from a high tech business firm development format to a low tech service cooperative initiative. This indicates the breadth of the entrepreneurial model across developed and developing regions, again in cooperation and knowledge and wisdom sharing, *confirming IAJBS's network positioning*.

References

Bennis, W. G. and O'Toole, J. (2005) “How Business Schools Lost Their Way”, *Harvard Business Review*, May 2005, pp. 1-9.

Etzkowitz, H. (2004) “The evolution of the entrepreneurial university”, *Int. J. Technology and Globalisation*, Vol. 1, No. 1, pp. 64-77.

Zeleny, M. (1987) “Management Support Systems: Towards Integrated Knowledge Management,” *Human Systems Management*, Vol. 7, No. 1, pp. 59-70.

Zeleny, M. (2002) “Knowledge of Enterprise: Knowledge Management or Knowledge Technology?” *Int. J. Information Technology & Decision Making*, Vol. 1, No. 2, pp. 181-207.

Zeleny, M. (2005) *Human Systems Management: Integrating Knowledge, Management and Systems*, World Scientific Publishers.

Zeleny, M. (2006) “Knowledge-information autopoietic cycle: towards the wisdom systems”, *Int. J. Management and Decision Making*, Vol. 7, No. 1, pp. 3-18.