

**WISDOM, MANAGEMENT AND MORAL DUTY:
A GRECO-ROMAN PERSPECTIVE**

Michael W. Small
Curtin Business School

m.small@curtin.edu.au

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Abstract

This paper applies early thinking about wisdom to contemporary management practice. The first part outlines the context and the way in which early Greek and Roman writers referred to 'wisdom' and 'wisdom-related' terms. Reference was made to the work of Greek writers such as Hesiod, Aeschylus, Pericles, Demosthenes and Aristotle who wrote about *sophia* and *phronesis*; and to Romans such as Cicero, Horace and Seneca who referred to *prudentia* and *sapientia*. The second part consists of examples taken from contemporary business and management behaviour which ranged from 'the cunning/clever' to 'the intelligently wise'. Reference was also made to current research which analyses concepts such as commonsense wisdom, conventional wisdom, contrarian wisdom and experienced based wisdom.

Keywords: History of Management Ideas; Moral Management; Origins of Management Thought; Spirituality, *Sophia*, *Phronesis*, *Prudentia* and *Sapientia*.

Moral Philosophy and Moral Duty

Moral Duty. Some time ago, somewhere between September/November 44 BC, a leading statesman and literary genius wrote to his son as follows:

My son: every part of philosophy is fruitful and rewarding, none barren or desolate. But the most luxuriantly fertile field of all is that of *our moral obligations*-since if we clearly understand these, we have mastered the rules for leading a good and consistent life.*To everyone who proposes to have a good career, moral philosophy is indispensable.*

The writer included three questions that he considered important in his analysis of moral obligations and moral philosophy: (i) Is a thing morally right or wrong? (ii) Is it advantageous or disadvantageous? (iii) If apparent right and apparent advantage clash, what is to be the basis for our choice between them?

Now it could be argued that if this writer's views on the importance of moral philosophy were put into practice and made the basis of an approach to every day problems then much of the turmoil we see in the (business/financial) world today might have been avoided. If people knew and understood what their moral obligations were, and whether an action was morally right or morally wrong then many of the problems we are currently experiencing might have been avoided.

Two examples come to mind. (i) ABC Four Corners, 11 May 2009. The program documented the behaviour of members of a rugby team. It showed that some members in this team had little understanding of the meaning of concepts such as ‘moral duty and moral responsibility’. (ii) The Australian, 8 October 2008, p.38. An article revealed that Lehman Brothers had paid more than \$US 23 million (\$31.7) to three executives leaving the firm just days before it collapsed. Could these actions have been those of someone who was just unwise and imprudent, or were they the actions of somebody who lacked integrity and were morally indefensible? Suppose those rugby players and Lehman Brothers had spent (any) time considering the three questions mentioned earlier - would there have been the same outcome?

In respect to the opening paragraph, the writer was Cicero (106-43 BC). The extract was taken from a letter he wrote to his son (*A Practical Code of Behaviour, On Duties III*, pp. 160-161).

Wisdom in Greek and Roman Times

Sophia, Phronesis, Prudentia and Sapientia. Now the terms ‘wisdom’, ‘sagacity’ and ‘prudence’ have been debated and talked about for centuries. The Greeks had several words from which to choose when referring to ‘wisdom’ or wisdom-related subjects. For example:

(i) *sophia* is wisdom *par excellence* i.e. it is above all others that may be so called (Plato, 1982: p. 348). This word was used in the context of the contemplative life and in the pursuit of truth. It was also used to refer to skill in art, and cleverness, skill or wisdom in common things. *Sophia* could also refer to cunning, shrewdness and craft. A third meaning included perfect, scientific knowledge and philosophy.

The Platonic Socrates (*op. cit.*, p. 21) regarded the poets as ‘inspired’, but not wise because they could not explain their fine sayings. Plato wrote (*op. cit.*, p. 349):

And surely this very good thing, good counsel, is a form of wisdom. For it is not by ignorance but by knowledge that men counsel well.

(ii) *Phronésis* comes from the verb *phronéo* meaning ‘to think’ or ‘to have understanding or to be in one’s sound senses’. It refers to ‘being minded to do something’ or to have a purpose or

intention, but it could also refer to a sense of high-mindedness. When used in a pejorative sense it could refer to pride and presumption. Aristotle (1982: pp. 339-341) regarded *phronesis* as prudence or practical wisdom. It denoted an excellence and not a neutral sphere in which one might excel. (iii) *Phronimos*. This means being in one's right mind or senses, or being discreet, sensible or steady. It equates to the Latin *prudentia* and translates as practical wisdom or prudence. It can also include thoughtfulness. (iv) *Sophrosune*. This refers to the quality of the *sophron* or 'the sound minded-man', a term which Aristotle derived from *sozein* and *phronsis* (*op. cit.*: p. 338). (v) *Episteme* comes from *epistamai*. It means 'to know how to do something' or 'to be capable of doing something' or 'to understand and to know for certain'. *Episteme* refers to knowledge or understanding, skill, experience, wisdom, scientific knowledge or science. (vi) *Techne* (*op. cit.*: p. 338) which translates as artistic excellence or technical skill, could also mean a way or manner whereby something is gained. Aristotle used *techne* in a neutral sense. He saw it as a systematic procedure for making something, or a body of principles for such a procedure.

Hesiod, Aeschylus, Demosthenes and Aristotle. Hesiod (*c.* 700 BC), Aeschylus (525-456 BC), Demosthenes (384-323 BC) and Aristotle (384-322 BC) have demonstrated how wisdom/sagacity/prudence was used in early times. Hesiod, a contemporary of Homer, gave advice (presumably because he was wise) for the man on the land. Aeschylus, who fought at Marathon in 490 BC, became an innovative playwright. Demosthenes was the great orator and a contemporary of Aristotle. The fourth is Aristotle who probably needs no introduction.

Hesiod advising on 'strife' said: 'This strife is good for mortal men, potter hates potter, carpenters compete, and beggar strives with beggar, bard with bard (Wender, 1977: p. 59). On 'plain living', he said: 'The fools, they do not know that half may be worth more by far than whole, nor how much profit lies in poor man's bread' (*op. cit.*: p. 60). On the subject of 'marriage' Hesiod wrote: 'Bring home a wife when you are ripe for it; when you are thirty, not much more or less, that is the proper age for marrying. Your wife should have matured four years before, and marry

in the fifth year' (*op. cit.*: p. 81). He had advice on a range of subjects *e.g.* 'might and right', 'shame', 'neighbours and kinsfolk', 'giving and taking', 'spending and sparing', and advice for the man on the land such as: (i) when to harvest (*op. cit.*: p. 71), (ii) when to plough: 'the crane, returning every year, cries out from the clouds above' (*op. cit.*: p. 73), and (iii) he advises the sailor that 'the best time to sail is fifty days after the solstice, when the exhausting heat of summertime is over' (*op. cit.*: 80). And so on.

Another early reference to wisdom occurs in Aeschylus' *The Agamemnon*, dated 458 BC when it was awarded first prize in a competition. The reference to 'wisdom' comes early in the play (see lines 176-178). The chorus refer to 'Zeus who sets mortals in the path of wisdom and has enacted a law of learning by suffering'. The story concerns Agamemnon, the Commander-in-Chief of the Greek forces in the Trojan War.

Demosthenes alluded to the notion of wisdom when he wrote (p. 55, line 21) 'you seem to me to deport yourself so admirably and sensibly towards them.....' In this sentence Demosthenes uses the word *sophronos* translated here as 'sensibly', but the translation could just as easily been 'prudently'. *Sophronos* can also be translated as 'temperately, moderately or soberly'. It is the adverb formed from *sophron* meaning 'discreet, prudent or moderate'. Later, still alluding to wisdom (*i.e.* prudence), he uses the word *soprosune* when he says (p. 56, line 23) 'Furthermore, while the majority of men, when young, seek a reputation for prudence by keeping silent.....'. *Soprosune* comes from *sophron* and is linked to *sophia*. *Sophron* translates as 'of sound mind, discreet or prudent'. So the idea of wisdom/prudence was very much in evidence in early classical times.

Aristotle was more focused. He stated that we might arrive at a definition of 'prudence' by considering persons whom we call prudent (Aristotle, 1982: p. 337 ff.). A prudent person could deliberate about what was advantageous as a means to the good life in general. Aristotle argued that prudence was not the same as science or art. It was a truth-attaining, rational quality, concerned with action in relation to things that were good and bad for human beings. Pericles

was said to have been prudent because he could discern what was good for him and mankind. Prudence was understood to mean the kind of wisdom which was concerned with oneself, the individual (*op. cit.* p. 347).

Aristotle (*op. cit.* p. 341 ff.) argued that wisdom was employed in the arts to denote those men who were the most perfect masters of their art. Thus wisdom was applied to Pheidias as a sculptor, and to Polycleitus as a statuary.

Wisdom had to be the most perfect of the modes of knowledge. It had to combine intelligence and scientific knowledge, and it had to be a consummated knowledge of the most exalted objects. Aristotle argued that wisdom included both scientific knowledge and intuitive intelligence. That was why Anaxagoras and Thales, may have been, but were not prudent. We saw them display ignorance in respect to their own interests. They possessed a knowledge that was rare, marvellous, difficult and even superhuman. They declared this knowledge to be useless, because as wise men, they did not seek to know things that were good for human beings (*op. cit.* p. 345). .

Cicero, Horace and Plautus. Cicero, Horace, Livy, Ovid, Plautus, Pliny, Sallust, Virgil, Seneca and Marcus Aurelius all had an interest in ‘wisdom’ and wisdom related terms *i.e. prudentia or prudens* and *sapientia*. Cicero’s (106-43, B.C.) focus was on duty, moral goodness and truth (1957, p. 19, ff.). He argued on behalf of the ‘doctrine of the supreme good’, and ‘the practical rules’ by which daily life could be regulated. The key idea of moral goodness was knowledge of the truth. He often used Greek to illustrate a point he thought needed emphasising *e.g. to katorthoma* meaning ‘that which is done rightly’ or ‘a right action’, and *to kathekon* meaning ‘that which is meet or proper’, or ‘one’s duty’.

Cicero wrote about wisdom, justice, fortitude and temperance, the four cardinal virtues which were adapted from the Stoics. He defined ‘moral goodness’ as a quality consisting of four parts *viz.* truth, the conservation of organised society, a noble and invisible spirit and temperance/self-control. In the original, Cicero (1957, p. 17, line 16) wrote: We place wisdom (*sapientiam*) and

prudence (*prudentiam*) this the peculiar province of that virtue....' And later he wrote (*op. cit.* p. 125) 'for the inexperience of youth requires the practical wisdom (*prudentia*) of age to strengthen and direct'. He argued (*op. cit.* p. 157) that 'the foremost of all virtues was wisdom, the Greeks call it sophia (*princeps omnium virtutum illa sapientia quam sophian Graeci vocant*); and for prudence or practical knowledge they say *phronesis*. In the same section Cicero argued, *ut est certe*, meaning, 'which it certainly is', stating '*illa autem sapientia*' wisdom was the most important of the virtues. And so on.

His interpretation of wisdom was similar to that of the Greeks (*sophia*) referred to above. *Prudentia/prudens* meant acquaintance with or knowledge of a matter or skill in a matter. It could also mean sagacity, good sense, intelligence, prudence, practical judgment and discretion. To illustrate, Cicero wrote: *id enim est sapientis providere: ex quo sapientia est appellata prudentia* (for it is well advised to be cautious: from which discretion is named prudence); and *prudentia tribus partibus constare videtur, memoria, intelligentia, providentia* (prudence is seen to consist of three parts, memory, intelligence, foresight. *Sapientia* (L.) or *sophia* (Gr.) also meant good taste *i.e.* good sense, discernment, discretion and prudence. It could also mean knowledge of the world, science, or a practical form of wisdom.

In respect to 'perfect wisdom' Cicero (*op. cit.* p., 163) argued that moral goodness could only be found among those hypothetical people who were endowed with ideal wisdom. Nobody who fell short of this perfect wisdom could possibly claim perfect goodness. Later Cicero (*op. cit.* p. 207 ff.) argued that wisdom would be assigned the function of hunting up pleasures wherever they could be found! But he said what a depressing picture for wisdom, the synonym of virtue-slaving for pleasure.

He wrote that 'when they come to the virtues of wisdom, fortitude, and self-control, these Epicureans have to hedge; though they do it ingeniously enough'. Wisdom finds a place in their systems as the knowledge by which pleasures are procured and pains removed'.

Horace (65-8, B.C.) Horace wrote (Book I, Ode XXII, p. 65) that ‘He who is upright in his way of life and unsustained by guilt, does not need Moorish darts nor bow and arrow nor quiver loaded with poisoned arrows’..... And we see (Book II, Ode III, p. 113) ‘Remember, when life’s path is steep, to keep an even mind, and likewise, in prosperity, a spirit restrained from over-weening joy. The line ‘Brute force bereft of wisdom falls to ruin by its own weight’ (Book III, Ode IV Wisdom and Order, p. 191) suggests that wisdom is a key component in understanding human affairs From Plautus (254-184 BC) we read *quanta mea sapientia est*, (how great is my wisdom).

Wisdom in Today’s Society

Now it would seem that there is a continuum along the line between actions that are deemed to be unwise and imprudent, and actions that are cunning, clearly lacking in integrity and are morally indefensible. In the last few months several business organisations, governmental enterprises and now some members of parliament (UK and Australia) have been unwise in the way they went about conducting their (business and other) affairs. Perhaps it was just absentmindedness or maybe poor judgment rather than any intentional lack of integrity in the decision-making process -or was it? Whatever it was, and which ever way one looks at it, there is a fine line dividing actions that are clearly unwise and imprudent, and those that are corrupt, lacking in integrity and which can lead to illegality and criminality.

What is wisdom? So what actually is wisdom, and what does it mean to be wise or to have acted wisely? Cicero (1957: 173) described wisdom as:

the knowledge of things human and divine and of the causes by which these things are controlled.

He spoke of a marvellous love of wisdom closely related to ‘moral goodness’. He argued that wisdom arose from one of four sources: (i) truth, (ii) rendering to everyman his due, (iii) a noble and invisible spirit, and (iv) orderliness and moderation of everything.

Delbecq cited in Gallos (2008: 489) addressed the moral character of leadership. He referred to a *commonsense wisdom* that tells us that our calling (*i.e.* vocation) should be the intersection between our gifts and society's needs. Sample cited in *op. cit.* (2008: 115) referred to *conventional wisdom* where managers would make judgments as quickly as possible and *contrarian wisdom* where leaders would make judgements as slowly and subtly as possible.

In general terms, a person who is thought to be wise and reflect the quality of wisdom would have the following characteristics. S/he would be 'sound' *i.e.* the person would be correct, orthodox, logical, well-founded and judicious in dealing with controversial issues and problems (refer here to 'Yes Minister'). The wise person would also be well informed, and could be expected to make public their views. S/he could be expected to assume the role of a public intellectual. In recent times ABC TV ran a series on 'Wisdom' in which a number of (prominent) people (medical specialists, politicians and sportsmen) were interviewed on various issues. Apart from a broad knowledge base, the wise individual would have a keen intellect and speculate in depth on major issues. S/he would be noticed for their intellectual understanding and insight in respect to major problems. They would not be too concerned with theories and theorizing, but on the practicalities and problems of everyday living.

Organisations and individuals who could be said to have acted unwisely and demonstrated poor judgement include: (i) James Hardie Industries (JHI); (ii) Chartwell Enterprises; (iii) Storm Financial Services; (iv) BrisConnections; (v) Fortescue Metals Group; (vi) Gosford City Council; (vii) Brimbank City Council; (viii) policy makers in respect to irrigation schemes in NSW. *e.g.* the Toorale station.. (ix) Members of (UK) Parliament. (x) A former Minister for Defence. (xi) A former Minister in the Tasmanian State Legislature.

In some cases, organisations or individuals had failed to follow a code of professional practice/behaviour. In others there was a conflict of interest resulting in decisions that were questionable. In some cases there was a singular lack of good judgment and wisdom in respect to decisions that were made.

James Hardie Industries. In a subsequent court case the presiding judge said he had ‘grave doubts about the Chair’s evidence’. The ten former directors and executives who had made ‘misleading statements’ and were accused of ‘memory loss and obfuscation’ have since reigned (Australian Securities and Investment Commission (ASIC), The Age, April 25 2009, p.4). JHI received a second legal setback when it was ordered to pay \$18.9 million in damages to a competitor in Chile. The question arises: ‘were the players in this unfortunate case demonstrating that they were unwise and lacked judgment or was there an element of illegality and obfuscation in the way they ran their company?’

Chartwell Enterprises. Chartwell was the Geelong based share trading/investment company which ran up a debt liability of \$70 million. It specialised in high risk shares, foreign exchange and commodity markets. It was described as a company that was identified by its greed, delusions and dubious promises. A spiritual business planner (with secret and confidential business qualifications) advised the company’s principals on a salary of \$25,000 per month. The firm was a “Ponzi” scheme *i.e.* it needed money coming in all the time to satisfy investors who wanted their money back. This was denied by the principals. The question here again seems to be ‘was this behaviour simply irresponsible or unwise and lacking in judgment or was there an element of criminality present?’

Storm Financial Services. Storm, a Townsville-based financial planner, advised its clients to borrow heavily against their share portfolios. Was this advice simply unwise on the part of the firm’s principals, or was there something more sinister in giving such advice? The firm collapsed last year taking with it the savings of three thousand investors. The story of how Emmanuel and Julie Cassimatis ran their business contains some surprising incidents. In one example, an Australian (test) cricketer helped secure a large loan with CBA to raise funds to invest with Storm by providing an autographed cricket bat. This same player lost \$1 million in the transaction.

BrisConnections. Nicholas Bolton holds 19.7 % of the shares. He has a \$75 million liability and currently owes \$1.3 million personally. He is seeking \$10 million from Leighton Holding. Investors can be expected to default on paying instalments leaving a multimillion-dollar shortfall. This means that only about \$103 million have been subscribed to the \$390 million required leaving Briscon to chase defaulters for the missing \$287 million. Many investors bought stock when the price fell below 1c, but did not realise that each unit came with a \$2.00 liability attached.

Fortescue Metals Group. ASIC has argued that FMG knowingly misled the share market in 2004 and 2005 by claiming that contracts with three Chinese entities were binding, The Age, May 5 2009. ASIC wants the Chair of FMG, Andrew Forrest, banned from becoming a company director and fined (maximum penalty \$4.4 million).

Gosford City Council. Gosford Council is a local government authority in NSW. It is known for its newspaper front page headline when it said to local ratepayers: "Sue us if you can afford it". More recently the Council invested heavily in overseas investments. Due in part to the global financial crisis the Council is now facing a serious financial problem by loosing so much of the ratepayers' money. Is this an example of unwise decisions being made on behalf of the rate payers?

Brimbank City Council. Brimbank Council is a local government authority in outer Melbourne. The Ombudsman found evidence of illegal activities by six former Brimbank councillors *viz.*, abuse of power and privilege, misuse of mobile phones, pornography on councillors' computers, cash in paper bags, and \$900 of ratepayers' money used to purchase an expensive fountain pen. There was also inappropriate interference in council affairs by Members of the Legislative Assembly and party officials, some of whom had been convicted of a range of crimes.

Irrigation Schemes in NSW. Toorale station is a 91,000 hectare irrigation property in NSW. The Commonwealth Government acquired the property for \$23 million so that water could be

channelled into the Darling River system and not be siphoned off for use by irrigators growing rice and cotton. The circumstances in respect to this business arrangement are controversial. Decisions were made early in setting up the project that are now seen to be inappropriate.

Members of (UK) Parliament. A number of MPs of the UK parliament from all parties have been ‘named and shamed’ in the British press for questionable conduct in respect to their parliamentary allowances. Approximately 130 MPs have been accused of a variety of offences mainly to do with mortgage payments for a second house, removal expenses, stamp duty, and various items of furniture. Sinn Fein members claimed £500,000 approx. although they have never attended the Parliament. One result of this type of conduct, described by the Leader of the (UK) Opposition as ‘clearly unethical and wrong’, has been the premature resignation of the Speaker of the House.

A Former Minister for Defence. The Minister’s comment (6 June 2009) about plotters highlighted his principal weakness as a minister - a lack of judgement in major areas, and a number of unwise decisions. For example, the Minister’s acceptance of gifts from a person who had connections with Chinese officials, his non-disclosure of monetary awards, and allowing his brother to use his official office to carry out business transactions. All of which suggest that the Minister was unaware of the proper role of a minister.

Many other examples could have been selected. The ones selected illustrate that actions ranged from the ‘cunning/clever’ to the ‘intelligently wise’. The actions suggest that some of those who were making key decisions were incompetent, corrupt or perhaps just bereft of wisdom. People in positions of authority and responsibility made choices and took decisions which were later proved to be very unwise or imprudent.

Wisdom in Contemporary Society

Wisdom has been described as the knowledge we need to know to live a good life *i.e.* a life which can be attained through contemplation in a monastic/religious tradition, or perhaps more realistically, in a secular sense, by being prudent throughout one's life. The question at issue here is - does wisdom have a legitimate place in contemporary management? We know that wisdom is something similar to, but not quite the same as 'sagacity' or 'prudence'. Some would say that wisdom has much in common with ordinary common sense as it implies a blending of experience and knowledge together with the ability of applying these qualities critically or practically. Sagacity can be applied to someone who is discerning and judicious. Its origins are in the Latin *sapere*, meaning to have good taste or sense or to be sensible. Prudence is a little different. It refers to wisdom when used in a practical sense. A person who is careful to avoid undesired consequences and who is discreet, cautious and circumspect can be described as prudent. Words such as prudence/prudential are still in use today *e.g.* (i) 'the G20 group of nations should tighten *prudential* standards, with tougher rules for capital ratios, as well as calls for limits on management pay', (The Age, BusinessDay [Melbourne], 4 April 2009, p. 1); and (ii) later we read 'Great Financial Hope: *macro prudential* supervision' (The Australian, 16 April 2009, p. 26). ABC television news, 11 May 2009, described the decision for undertaking certain types of military action in Afghanistan as 'prudent', while the decision forbidding certain other actions was described as 'imprudent'. So the use of 'prudence' and 'prudential' are very much in the lexicon.

Stutchbury (*ibidem*) has argued that accounting philosophy did not properly account for the varying degrees of 'riskiness' built into asset values and loan impairment over the cycle. Cowley's (2009) argued that derivatives had quantifiable benefits, but unquantifiable risks. This was due in part to lack of transparency and complexity, and the moral hazard of volatility. She argued that whole economies could be destabilised by speculative cross-border capital flows, often in the form of derivatives..... Traders were dealing in derivatives so complex that no one

understood them. This then raised the question of integrity. People could be found who were honest, but integrity was more complex. Cowley (*ibid.*) thought that we had probably forgotten what prudence really meant. So we use another term-*practical wisdom*.

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