

## **WISDOM APPRECIATION IN SUSTAINABLE MANAGEMENT THOUGHT: AS GROUNDED THEORY**

**Kartika Nuringsih<sup>1\*</sup>, Herlina Budiono<sup>1</sup>, Haris Maupa<sup>2</sup>, Muhammad Idrus Taba<sup>2</sup>**

<sup>1</sup>*Student of Doctoral Program of Management Science, Universitas Tarumanagara, Jakarta, 11470, Indonesia*

<sup>2</sup>*Departement of Management Science, Faculty of Economics and Business, Universitas Hasanuddin, Makassar, Indonesia*

*\*Email: kartikan@fe.untar.ac.id*

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### **ABSTRACT**

*Along with human civilization, the function of business management has changed. Adaptation is carried out as a form of wisdom in understanding social and environmental issues for becoming a new pillar in building business management sustainability. The qualitative study with a grounded theory approach is carried out to appreciate the thought of wisdom in developing management philosophy and using desk study to analyze data from scientific publications. The result proves that the existence of business management has evolved over the past 100 years from classical, neo-classical, and modern management, even in the era of sustainability. Starting from the industrial revolution 1.0 with the achievement of production efficiency up to 4.0 with speeding of information technology. Although different challenges in each era, the management goal remains the same to manage limited resources in order to meet the various desires of a changing world. Aligning with environmental issues, harmony among social responsibility, and economic growth is needed as the foundation of management philosophy so that a sense of wisdom characterizes the sustainability of current and future business goals. This study serves as a grounded theory to trace the essence of wisdom along the course of classical to modern management thinking that is synergized with sustainable development.*

**Keywords:** *Grounded Theory, Management Philosophy, Sustainability, Wisdom*

### **1. INTRODUCTION**

The journey of management science cannot be separated from a touch of philosophy, following its meaning which reflects a love (philos) of wisdom (sophia) so the existence of management gives birth to truth and knowledge in every decision making. This is by the opinion of Socrates (469-399 BC) that the essence of happiness is wisdom. As described by Ekmekçi *et al.*, [1] in classical philosophy, wisdom is included in the list of four main virtues including justice, self-control, courage, and this wisdom. It is also mentioned that wisdom is in rationality and mental processes so its form is in the form of metaphysical. Concerning behavior, managers are required to prioritize wisdom in making strategic decisions daily, analyzing the environment, or assessing personal background. Thus understanding wisdom colors every decision in every business management function.

#### **How is the development of wisdom management?**

Nevertheless, wisdom is relatively new in management and organizational literacy, even though it is related to the leadership function. The psychological literature analyzes wisdom as a construct by McKenna *et al.*, cited [1] with a multi-dimensional approach. As mentioned by Baltes & Staudinger, “wisdom is referred to as the top of an inner voice about human nature and the tools leading to the attainment of life objectives” [1] thus representing complex ideas such as cognitive function, intellectual development, life planning, and management. Thus wisdom refers to a process rather than a particular situation. This study highlighted the statement of Munro who emphasized that in the wisdom dimension there is

agreement that consists of “practical, reflective, open to experience, interactional tendencies, tolerance for ambiguity, ethical sensitivity, and experience” [1]. Moreover, stated that the implementation of wisdom is related to some level such as “organizational wisdom and wisdom management”, so it has the potential to be valuable insights for the success and performance of the organization. The substance of wisdom relevant to sustainability issues.

### **What are the current environmental conditions?**

Environmental destruction is a current reality that interferes with the quality of human life so the threat of climate change or global warming is a test for the commitment of business managers to realize the meaning of "wisdom" as part of organizational culture. According to study of Blok [2] mentions "ecological management" as an important agenda in the study of management philosophy. The alignment of the essence of this theme in the organizational wisdom and wisdom management is realized through eco-friendly behavior and circular mindset. It is implemented through corporate social responsibility (CSR) activities with the goal to mitigate the risk of destruction.

Moreover, the transformation to green management was triggered by the agreement of the World Commission on Environmental Development (WCED) in 1987, which since the industrial revolution began to realize the need for thinking about sustainable development. This momentum presents a "green philosophy" as a basis for organizations when facing limited natural resources or the threat of environmental destruction. The application of wisdom characterizes the orientation of business management not only for prosperity but tolerance of social problems and respect for the environment. These aspects are as the essence of the theory of triple bottom line which was coined by Elkington.

Therefore, the flow of this study is as follows (1) to explore the momentum of management thinking, (2) to trace the wisdom aspects identified through each era of thought, and (3) to analyze green management thinking as an adaptation of business management to the risk of being destroyed environment. Hence, the purpose of the study is to draw a common thread from the evolution of management thinking in the 100 years since scientific management was initiated by Frederick W. Taylor and Henry Fayol in the early 1910s to new thinking oriented toward sustainable development to achieving sustainable development goals (SDGs) agenda in 2030. The urgency of the study relates to the role of green management in the process of achieving a sustainable business so that there is no missing link in understanding business management.

## **2. METHODS**

The qualitative study with a grounded theory approach is carried out to appreciate the thought of wisdom. Using desk study to analyze data sources from scientific publications such as international journals, proceedings, and textbooks about wisdom, green management, evolution management thought, and sustainability. Involving online Medias e.g., Google, YouTube, and Wikipedia for cross-checking the data. Refer to some references, namely: Ekmekçi et al., [1] on wisdom & management, Blok [2] on green management, Wren & Bedeian [3] the evolution management thought, Kessler's Encyclopedia Management Theory [4], and Professor Muhammad Idrus Taba's article [5] as guide in understanding evolutionary phase of management thinking. These data are analyzed to be known a common thread about wisdom along the journey of management thought.

### **3. RESULT AND DISCUSSION**

#### **Overview of Pre-Scientific Management**

In line with the journey of management thought, Wren & Bedeian [3] framed history in "The Evolution of Management Thought". The journey to the 19th century saw a breakthrough in the field of management that marked the rapid development. Infrastructure such as railroads and telegraphs encourage the acceleration of large-scale economic growth. The evolution of management thought in the **1800-1900s** period as pre-scientific management gave birth to great figures including Charles Babbage (1791-1871) a mathematician who initiated the computer, and James Watt (1736-1819) the creator of the first steam engine in England, and Robert Owen (1771-1858) as socialists who observe the welfare of workers and even as pioneers of workers' cooperatives. It was a breakthrough to the humanist flow in the era.

At that time science and production machines began to be discovered and used for industrial purposes so it became the beginning of the industrial revolution (1760-1850) as momentum of the industrial revolution 1.0. Massive changes occurred in agriculture, manufacturing, mining, transportation, and technology that affected the social, economic, and cultural life of the world community. These developments required managers for large organizations, so moved to management thinking and economic theory. One classic economist Adam Smith (1760-1840), 1776 produced "The Wealth of Nation" with the idea of division of labor and specialization of work in increasing productivity. This method improves the skills and dexterity of workers and saves working time and labor (Suci, 2019). There was extraordinary progress for the capitalist group that gave birth to figures like Karl Marx (1818-1883) creating the work of *Das Kapital* as a critique of capitalism. According to this time, thinking developed to formulate an economic model that focused on economic growth, including humanism, which was applied by Robert Owen. This shows that social responsibility in business practices is not a new thing that reflects a sense of wisdom in the course of management thinking.

#### **Evolution to the Modern Management Thinking**

Entering the 19th century, the scientific management era was formed. In the period **1910-1930s**, Frederick W. Taylor (1856-1915) used a scientific-rational approach to increase productivity, efficiency, and profitability. Taylor in 1911 popularized scientific management in the book "Principles of Scientific Management" as the best approach to getting work done [6]. Then, Henry Fayol (1841-1925) emphasized management as an administrative function. Management is mentioned as a general activity carried out by humans as well as in school, government, household, or business activities so that in its implementation it contains five basic administrative functions consists of planning, organizing, commanding, coordinating, and controlling. Fayol also gave the idea of 14's Principals of Management as a basis for assessing management success.

Max Weber (1864-1920) gave the rationale of working through bureaucracy in organizations with the characteristics of impersonal social relations (based on tasks), division of labor, clearly defined hierarchy/position, contractual relationships, technical qualifications, and clearly defined salary/benefit. This thinking is the basis for the division of labor in designing organizational structures. Hugo Munsterberg (1863-1916) applied a psychological approach to industry and management. The study extends to industrial or organizational, legal, medical,

clinical, educational, and business settings. Developments touched humanists such as Frank Gilbreth (1868-1924) and Lilian Gilbreth (1878-1972) so that management developed a leadership function with improving a quantitative-humanistic approach. This description shows that at the beginning of the 19th century there was an awareness of human-relationship in management as a reflection of the wisdom of managing employees.

Next two decades, **1930-1950s**, focused on a behavioral approach to human resource management. Elton Mayo (1880-1949) emphasized the importance of managers' attention to workers through the study of the Hawthorne Effect. Likewise, Douglas McGregor (1906-1964) found the X-Y theory as a way to motivate a person/employee based on his character. Abraham Maslow (1908-1970) used the hierarchy of needs theory as a motivational approach, Frederick Herzberg (1923-2000) found a motivational-hygiene theory, while David McClelland (1917-1998) introduced a theory of needs including achievement, affiliation, and power as a motivational approach. This idea is evidence of the rapid development of HR management until now, it is still applied in management practice even though adjustments are made to current conditions. In that era, Schumpeter (1883-1950) reminded us about "creative destruction" so creativity management became an important thinking to deal with innovations made by competitors.

Entering the **1950-1970s** era as post-scientific management with an inherent approach to systems, quantitative, qualitative, contingency, and information technology. In addition, management development is supported by quantitative methods for optimal use of resources. For example, the discovery and use of statistical and quantitative approaches such as linear programming in resource allocation, critical path analysis for efficient work scheduling, or economic order quantity (EOQ) help determine optimum inventory levels. This is evidence of the rapid development of operational management which is currently still being applied in management, although adjustments and comparisons are needed with new approaches. Manual calculations are developed through computing so more easy to implement.

In the period **1970-1990s** management studies emphasized the control function with an orientation to the aspects of values and beliefs in the organization. Quality Management thinking grows by considering aspects of input, process, output, customer satisfaction, and the environment. In 1980s Edwards Deming (1900–1993) had thoughts on Total Quality Management (TQM), Joseph Juran in 1986 on The Quality Trilogy (Quality Planning, Quality Control, and Quality Improvement), and Crosby with “zero defects. " In strategic management field in 1985, Michael Porter raised competitive advantage as an approach to creating superior performance through the value chain in the industry. These results reinforce the thinking of modern management science of the 20th century. The existence of wisdom is seen in understanding quality management including customer satisfaction, paying attention to the environment, and the process of creating a "value chain" not just a "supply chain" as the basis for building competitive advantage.

Along with the shift in values and beliefs was organized by Brundtland Commission with the theme of sustainable development. This commission is a pioneer in building a joint agreement on "our common future" with challenges in the form of population & human resources, food security, species & ecosystems, energy, industry, and urban. The end of the war period brought ideas about sustainable development, so that, led by Prime Minister Gro Harlem Brundtland, the definition of "Sustainable Development is a development that meets the need of the present without compromising the ability of future generations to meet their own needs" (Report of WCED, 1987). This condition is considered by 21 countries including

Indonesia to commit toward sustainable development. Intergenerational interests must be considered in every aspect of development.

The understanding of sustainable development focuses on two factors: (1) equitable distribution of the needs of current and future generations so that natural resources are not spent in the present but consider the sustainability and needs of future generations, and (2) the idea of realizing the first condition is determined by the readiness of technology and the role of stakeholders including NGOs in ensuring the carrying capacity of the environment. The existence of these institutions as controls implementation of these programs to meet the expectations of sustainable development.

Period **1990-2010s** saw a transformation of management functions in a socio-cultural and environmental orientation so that it became multi-stream management, or called the reconsidering era. At the beginning of this period, the idea of learning organization emerged. In 1993, Michael Hammer & James Champy introduced "Business Process Reengineering" (BPR) at the corporate level [4]. The idea of BPR is to eliminate activities that do not have added value and redesign key processes to fit the mission and objectives of the organization. This means that a century of development of management thinking is then transformed to form wisdom in overcoming social and environmental problems.

The WCED breakthrough was followed up by the United Nations as a long agenda: (1) Rio de Janeiro's event in 1992 with the name "Earth Summit", (2) in 1997 was held an event of Frameworks Convention on Climate Change with resulting the "Kyoto Protocol", (3) early Millenium era was held the New York Declaration with resulting "Millennium Development Goals" (MDGs) with a period of achievement of 15 years, and (4) The World Summit Sustainable Development in Johannesburg.

As shown in Fig. 1 the MDGs are the most enormous momentum for realizing welfare of the global community with eight targets divided into economic, social, and environmental aspects. This event grown people's awareness of green management thought. However, there was one concern of the global community at that time, namely HIV/AIDS so it became a special goal (MDGs-6) to jointly overcome the pandemic. The MDGs reflect the wisdom of overcoming the problem of HIV and other diseases and socio-economic problems so that community becomes prosperous. The movement is as knowledge and form the wisdom. The evolution of modern management thought in every 20-year period shows an orientation and purpose to provide welfare to the global community. The picturing of the MDGs are as follows:



**Figure 1. The Programs of MDGs**

In further progress, Michael, Ireland, Camp, and Sexton 2002 introduced the idea of "Strategic Entrepreneurship: Creating a New Mindset" to help entrepreneurs and aspiring entrepreneurs identify entrepreneurial opportunities by focusing on the strategy through business planning [4]. The most appropriate moment with wisdom was in 2007 when Eric Kessler & James Bailey published the book "Handbook of Organizational and Managerial Wisdom" so that as a framework for building a reconciliation of management theory with the basic principles of philosophy [4]. Based on evolution over 100 years, it shows management as a dynamic approach following changes in technology, institutions, people, and the environment. Management thinking evolved to address the oldest problem of humankind, namely allocating and utilizing limited resources to meet the various desires of a world that are constantly changing along with increasingly disorganized environmental conditions.

### **Green Management as the Realization of Wisdom in the Sustainable Business Era**

Period **2010s-present** serves as milestones for sustainable development targeting. Environmental destruction caused by business practices that are not pro-environment disrupt the welfare of current and future generations. Exactly twenty years after the 1992 Earth Summit (Rio+20) this summit was held again in 2012. The next moment in 2015 was the end of the MDGs followed by the SDGs. The second 15-year development program has 17 targets to be achieved by 2030 as shown in Fig. 2. It is an acceleration of the reaching of welfare for the global community.

At the same time in 2015, the United Nations Frameworks Convention on Climate Change (UNFCCC) was held again in Paris. One of the programs to support the achievement of sustainable development through a green economy, particularly related to SDGs-1, SDGs-6, SDGs-7, SDGs-13, SDG-14, and SDGs-15. In accordance with the "United Nations Environment Programs" or commonly abbreviated as UNEP, it is explained: "a green economy can be thought of as one which is a low carbon, resource-efficient, and socially inclusive. In a green economy, growth in income and employment should be driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services" [7]. Efforts to increase economic growth and quality of life through green efficiency approaches such as preventing carbon emissions, pollution, and loss of biodiversity. Hence, environmental sustainability must be a priority so that the perspective of economic actors is to minimize environmental risks.



**Figure 2. The Programs of SDGs**

The green economy is a breakthrough in realizing green business so that corporate involvement implements green management as a competitive advantage because it prioritizes respect and wisdom for the future of the earth or the environment. This era is building human awareness in treating nature so that it becomes a momentum for transformation into a "green philosophy" as a basis for organizations to deal with limited natural resources and keep them from being distracted. The application of wisdom is increasingly coloring the orientation of business management not only for profit (prosperity) but being tolerant of social problems (people) and increasing respect for the environment (planet). 3P synergy is the essence of Elkington's triple bottom line theory. Implementation at the level of organizational wisdom, managerial wisdom, and wisdom management as an insight for the success and performance of the organization in a sustainable manner.

Aligned with Block [2] "circular economy" as resilience for those who implement green management. This economic model aims to anticipate the problems of "environmental degradation" and "resource scarcity" so that there is the harmonization of social-ecological goals with economic goals as aspired by Elkington. Economic actors must be responsible for managing their supply chains in order to align with environmental sustainability, starting from material management, and processing to handling the final product. Companies must respect environmental and social sustainability, and be more responsive to stakeholders [8].

Further statement argued that this model can turn corporate economic activities into a circle of awareness between people and their environmental surroundings so that it becomes an approach that combines production and consumption systems in an ecosystem awareness is needed [9] e.g., recycling, saving energy, saving clean water, extending product durability, reducing pollution, applying zero waste management, and encouraging community or consumer empowerment in pro-environmental activities.

The idea of recycling and zero waste align with Fritjof Capra's thinking about Ecoliteracy as knowledge to anticipate global environmental crises and disasters [10]. With a circular economy to form company resilience [11]. The implementation of a circular economy supports the achievement SDGs-12 to realize "responsible consumption & production" so that producers including entrepreneurs and consumers are responsible for ensuring environmental sustainability. Eventually, realizing sustainability is supported through shifting of economic behavior to ensure meeting the needs of future generations. In lining with this progress, the circular economy commits to harmonize with the green economy in achieving SDGs agenda. Green management is a medium for business organizations in implementing environmental management through a circular economy or green economy.

The results of the elaboration show that green management thinking [2] axiologically fills the sustainability stages of the evolution of management thinking [3] with a target to overcome the threat of environmental degradation or climate change. The existence of green management is the realization of wisdom for the organization and management. Moreover, the Covid-19 pandemic since 2020 has encouraged empathy and moral obligation among managers so that CSR is a manifestation of wisdom for business organizations and contributes to sustainable development. The essence of green management is not limited to ecological orientation but touches the sense of social responsibility or humanity.

When adjusted to [1], the implementation of both reflect the dimensions of wisdom, so in driving organizational wisdom need to be experience, passion to learn, and spirituality [12].

Appropriate personal characteristics are needed to support the reputation of organization in implementing green management and CSR as value-driven on environmental sustainability. This elaboration illustrates a common thread in the evolution of management thinking for 100 years from scientific management as a part of the classical management period to the era of sustainable development targeting the achievement of the SDGs agenda in 2030.

#### **4. CONCLUSION**

This study serves as a grounded theory to trace the essence of wisdom along classical to modern management thinking that is synergized with the movement of sustainable development. Environmental dynamics occur today so that management adapts to social and environmental changes. Management thinking evolved in the use of limited resources to meet changing desires. Reality shows that what is happening today is not like yesterday and even the future will not be the same as yesterday and today's situation. Therefore, management adapts to various situations to meet economic prosperity without neglecting humanity and environmental sustainability.

The awareness of realizing both is the realization of wisdom so it should be an insight for achieving sustainable business performance. Study [1] emphasizes the process of identifying wisdom in management, while [2] places pro-environment as management thinking. Both studies are in the framework of exploring the constructs of wisdom and green management so that further studies can package both from the perspective of management philosophy.

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