

# **Emotional Capability, Philosophical Orientation, and Knowledge Sharing in Organizations**

## **Abstract**

We propose an organization-level model that links distinctive elements of philosophical orientation (practical wisdom) and emotion management (emotional capability) to show how ethics and emotion can interact to influence knowledge sharing in organizations. We view top executives as creators of the organizational context that encourages development and diffusion of ethical and emotional norms and middle managers as adjusting the application of these norms to the local context. Varying effectiveness in top executives' context creating and middle managers' context adjusting can produce different qualities of authenticity and speed in knowledge sharing in organizations. We discuss the implications of our theorizing in regard to the literatures on organizational learning and silence, ethics, and emotion management.

**Key words:** knowledge sharing, emotion management, emotional capability, ethics, practical wisdom.

Many years ago there lived an emperor who cared only about his clothes and about showing them off. One day he heard from two swindlers that they could make the finest suit of clothes from the most beautiful cloth. This cloth, they said, also had the special capability that it was invisible to anyone who was either stupid or not fit for his position.

Being a bit nervous about whether he himself would be able to see the cloth, the emperor first sent two of his trusted men to see it. Of course, neither would admit that they could not see the cloth and so praised it. All the townspeople had also heard of the cloth and were interested to learn how stupid their neighbors were.

The emperor then allowed himself to be dressed in the clothes for a procession through town, never admitting that he was too unfit and stupid to see what he was wearing. For he was afraid that the other people would think that he was stupid.

Of course, all the townspeople wildly praised the magnificent clothes of the emperor, afraid to admit that they could not see them, until a small child said: "But he has [nothing on](#)!"

This was whispered from person to person until everyone in the crowd was shouting that the emperor had nothing on. The emperor heard it and felt that they were correct, but held his head high and finished the procession.

*The Emperor's New Clothes*, [Hans Christian Andersen](#) (1837 as part of *Eventyr, Fortalte for Born* [*Fairy Tales, Told for Children*])

This paper focuses on a simple but consequential challenge to organization learning and performance: the *rapid* transmission of *authentic* information among organization members. As the small child's few words in Andersen's (1837) tale convey, authentic information refers to information that the sender believes is reality. Timely communication of authentic information characterizes the quality of knowledge sharing in an organization. In a changing environment, the quality of knowledge sharing affects an organization's ability to adjust to continuous feedback from various constituencies (Brown & Eisenhardt, 1997). Knowledge refers to information that is useful for the realization of specific tasks. As such, knowledge is contextual, can be both tacit and explicit, and tends to be distributed among many organization members (Nonaka, 1994; Ocasio, 1997). Apart from the challenges of interpreting ambiguous information and

development of new knowledge for innovation, many organizations seem to share a basic difficulty: many members know the “truth” about certain issues or problems in the organization, yet dare not speak that truth to their superiors (Morrison & Milliken, 2000: 706).

Organizational learning scholars have explored a number of reasons underlying the difficulty of sharing knowledge in organizations. These include, for example, receivers’ interpretation of the message and creation of meanings that are not intended by the sender (Axley, 1984); the unpredictability involved in collective reinterpretation, co-creation of shared meanings, and negotiation between various communities of practice (Bechky, 2003; Carlile, 2004); receivers’ low cognitive capacity to absorb new knowledge (Cohen & Levinthal, 1990); receivers’ ability to unlearn prior practices and the pre-existing social ties between senders and receivers of knowledge (Szulanski, 1996); the quality of interactions between senders and receivers (Hansen, 1999); perceived identity difference with the knowledge source (Kane, Argote, & Levine, 2005); resistance to learning in planned change (Crossan & Berdrow, 2003); receivers’ motivation to internalize new knowledge (Kostova, 1999); or the nature of the knowledge, such as tacitness and causal ambiguity (Nonaka & Tekeuchi, 1995; Szulanski, 2000).

To deal with these barriers to knowledge sharing (Argote, McEvily, & Reagans, 2003), scholars have investigated a number of processes, such as socialization or externalization (Nonaka, 1994); personnel rotation (Almeida & Kogut, 1999; Argote, 1999); knowledge articulation and codification (Zollo & Winter, 2002); replication strategies (Winter & Szulanski, 2001); leadership styles (Vera & Crossan, 2004); forms of power (Lawrence, Mauws, & Dyck, 2005). This research stream generally focuses on the *receivers’* degree of willingness and ability to accept, understand, or use new knowledge. Scholars often assume that the knowledge holders are willing to share their knowledge fully.

In this paper, we focus on a critical assumption of the knowledge sharing literature: knowledge *holders'* willingness to share authentic and timely knowledge to other organization members. Beyond withholding authentic information—the focus of research on organizational silence (e.g., Bird & Waters, 1989; Morrison & Milliken, 2000)—members may even provide distorted information to one another, with potentially serious consequences. Distorted information and delayed transmission of knowledge can prevent able authorities from averting crises (Allison, 1971; Ratnesar & Burger, 2002). At the level of organizations, withheld or distorted information can produce dysfunctional outcomes such as low innovation (Dougherty & Bowman, 1995), less effective organizational change processes, low employee morale and turnover (Morrison & Milliken, 2000). Without reliable input information, a theory of organizational learning that relies on articulation and codification of members' knowledge to embed it in organizational routines risks institutionalizing dysfunctional practices (Fiol & Lyles, 1985; Crossan et al., 1999; Zollo and Winter, 2002). Although some scholars suggest that miscommunication is normal because people subjectively interpret received messages and create their own meanings (e.g., Redding, 1972; Axley, 1984), we assume here that it is possible for senders and receivers of information, through efforts, to understand each other in a way that is good enough for them to cope with new situations.

At the risk of oversimplifying, many of the reasons that underlie withholding of knowledge in organizations can be categorized in two groups: cognitive and affective. Morrison and Milliken (2000) attributed the genesis of what we call cognitive category of beliefs to an economic paradigm that currently dominates many business schools and firms, and hence the thinking of many managers (Pfeffer, 1997). This paradigm relies on three unstated beliefs. First, individuals are self-interested and act in ways that maximize their personal utilities (e.g., Milgrom & Roberts, 1992). As a result, employees cannot be trusted to act in the best interests of

the organization without some form of incentive or sanction (Ghoshal & Moran, 1996). A second unstated belief is that “management knows best.” This comes from the overarching philosophy within most modern organizations, that is, managers are expected to direct and control (Ewing, 1977; Glauser, 1984). Third, many managers value agreement and consensus as signs of organizational health (Bird & Waters, 1989), and this belief comes from a “unitary view” of organizations as opposed to a pluralistic view in which conflict is normal and healthy (Burrell & Morgan, 1979).

In regard to the affective reasons of dysfunctional knowledge sharing, negative feedback—although helpful for learning—may not be authentically relayed in interpersonal interactions, especially when there is power or status asymmetry between the interacting parties (Argyris & Schoen, 1978). The lower status members may feel reluctant to disclose their true feelings and opinions underlying their disagreements to the higher status members for fear that their expressions may elicit negative emotions among their counterparts. Higher status members might interpret these authentically expressed opinions or emotional issues as personal criticisms or a violation of tacit norms of emotional expressions at work, and this can hurt the career prospects of the perpetrators. Argyris and Schon (1978) suggest that many managers feel a strong need to avoid embarrassment, threat, and feelings of vulnerability and incompetence. Conveying information that generates pleasant feelings to higher status people, even if one disagrees, can be salutary. Jackall (1988: 128) suggested that managers who wish to succeed in bureaucracies are expected to mask all intentions behind bland, smiling, and agreeable faces.

To complicate matters further, Argyris (2000) found that even supervisors are reluctant to express potentially threatening or embarrassing feedback to their subordinates, even though this information can motivate deep learning and produce real change. He explained that most people’s theories-in-use include suppression of negative feelings to maintain positive collective

morale, and this behavior is especially likely in moments of stress. A general positive emotional climate conveys collective harmony and can be (deceptively) reassuring to powerful members (Morrison & Milliken, 2000).

As compelling as these explanations are, we suggest that they are limited on three dimensions. First, these cognitive and affective interpretations of dysfunctional knowledge sharing alone, by downplaying individual freedom and generosity and highlighting egocentric behavioral regularities, portray an under-developed view of human nature. Second, the cognitive perspective emphasizes mechanistic relationships between incentives, utility functions, and threshold-triggering behaviors. Yet, individuals are also imbued with more subtle qualities such as emotional abilities and ethical values that influence consequential processes such as knowledge sharing. Third, the affective perspective focuses mainly on interpersonal interactions and thus lacks integration at higher levels of organizational analysis.

We also suggest that these cognitive and affective explanations of knowledge sharing represent only surface manifestations of deeper causes. Knowledge sharing is consequential for both the holders and receivers' welfare and more broadly for the organization and its stakeholders. Thus, knowledge sharing is seldom value free in its content and delivery. We propose that investigating influential organization members' philosophical orientations can help illuminate the deeper causes affecting the quality of knowledge sharing. By philosophical orientation, we mean conceptions about the nature of human beings, including the conception of oneself and of other people (Sartre, 1946; Arendt, 1995). Taking a philosophical orientation lens allows us to investigate the underpinning assumptions of "rational" economic models of management in regard to values and emotion.

To overcome the limitations of current approaches and explain the sources of many disempowering beliefs and feeling-averse behaviors at an organizational level, we mobilize two

emerging streams of literature: practical wisdom and emotional capability. Practical wisdom refers to a philosophical orientation that highlights the dual nature of self, that is, being consistent over time (remaining the same) and being also different (by taking another person's perspective) (Ricoeur, 1992; 2000; Durand & Calori, 2006). Practical wisdom allows us to explain the roots of the derogatory beliefs about subordinates held by managers and the particular way in which they exercise power or share knowledge. Emotional capability theory (Huy, 1999, 2002; Reus & Liu, 2004) explicitly acknowledges the importance of organizational norms and routines that attend to members' emotional states during difficult times (e.g. disruptive stressful change) to alleviate their emotional pain. Emotional capability proposes specific emotion-attending routines (e.g. displaying empathy and eliciting hope and attachment) to increase members' emotional well-being, which fosters collective learning and adaptation.

Our proposed link between practical wisdom and emotional capability at the organizational level mirrors and extends the symbiosis between affect and ethics that has long been recognized by scholars and philosophers, such as Adam Smith (1759/2000) and David Hume (1751/1998), who elaborated the conjunctive concept of the "moral sentiments." Morality can be found in emotions such as sympathy, love, and compassion and not only in moral principles (Solomon, 2004).<sup>1</sup> Moral reasons by virtue of their logic alone are insufficient to inspire the feelings of desire and attachment that make people enact moral standards (Blake & Davis, 1967). Because knowledge sharing can improve or decrease the well-being of the knowledge senders or receivers, knowledge sharing as a discretionary act can be laced with value judgments, ethical interpretations, and emotion-laden behaviors. Affect can emerge prior to cognition, largely at a subconscious level (Zajonc, 1980). Affect signals to people that something

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<sup>1</sup> In this paper, we use emotions, feelings, and affect interchangeably, and will point out distinctions when the latter are necessary.

*feels* wrong or right, and produces a “gut” reaction to an issue, without people understanding fully how they reached that reaction (Haidt, 2001). People become aware they prefer something before they have even completed a thorough analysis. Consequently, people’s evaluation of what is right, just, or good is not necessarily a function of rational-cognitive processes but rather influenced by a “how do I feel about it?” heuristic (Schwarz & Clore, in press; Sonenshein, in press).

Congruent with the social interactional nature of practical wisdom and emotional capability, some scholars have recently questioned to what extent managers really apply the “rationalist” model of top-down moral reasoning in organizations. They suggest, instead, that faced with the uncertainty and equivocality that characterize many managerial issues, including ethical ones, managers likely rely on their experience and “gut” feelings to evaluate quickly the situation and to act. They use deliberate reasoning mainly as ex-post rationalization (van den Bos, 2003; Sonenshein, in press). Ironically, ethical discussions and emotion attending share one more thing in common. Many organizations view them as controversial issues or distractions from more important business matters and thus discourage attention to these issues. Many managers, moreover, view moral or emotion-based arguments as too idealistic, utopian, or soft (Bird & Waters, 1989; Argyris, 2000; Ghoshal, 2005).

In sum, we argue that the knowledge sharing literature has under-recognized and under-theorized the interaction between ethics and emotions as an important enabler of knowledge sharing. We propose to investigate this interaction at an intergroup level by modeling group differences. Much of the research on the interaction between ethics and affect is done at an individual or interpersonal level (e.g., Haidt, 2001; Sonenshein, in press). The upshot of our analysis is consequential. Organizations that do not enact practical wisdom and emotional capability are less likely to experience sustainable and widespread sharing of authentic and



timely knowledge among their members and, thus, are more likely to suffer from learning deficiencies and organizational underperformance.

The remainder of the paper is organized as follows. We elaborate the philosophical orientation of practical wisdom and discuss how people who exhibit low practical wisdom are likely to hold derogatory beliefs about their subordinates. We then explain why many organizations are fearful of their members' (negative) emotional expressions, and how organizations can constructively deal with these emotions through the enactment of emotional capability. Next, we combine insights from these two theories to advance a number of predictive propositions about the quality of knowledge sharing in organizations. We end with a discussion about how practical wisdom and emotional capability can inform new research on knowledge sharing, including organizational silence, organizational ethics, and emotion management.

### **PRACTICAL WISDOM**

Many of the current management theories that influence managers' thinking emphasize the selfish promotion of the self or of one's own organization (Ghoshal, 2005). This influence is carried out through various socialization processes such as management education (Pfeffer, 1997), institutional pressures for isomorphism (Wesphal & Zajac, 1998), or diffusion of management fashions (Abrahamson & Fairchild, 1999). Notably, entrepreneurship theory (e.g. Shane & Venkatraman, 2000; Hitt, Ireland, Camp, Sexton, 2001) assumes that entrepreneurs recognize and exploit opportunities before others do. The strategy formulation school (Andrews, 1960; Porter, 1980; Hamel & Prahalad, 1994) assumes the existence of omniscient members who can design a strategic intent and effective means of persuasion to ensure execution by less powerful members. Although these theories contribute much in other ways to our understanding of management, we highlight these aspects to suggest that people who adhere narrowly to these views are likely to hold the following beliefs: Management knows best, unity aligned along

management's wishes is good, and dissent is bad. Management education, cultural socialization, and institutional pressures for legitimacy can further contribute to the diffusion of these management-egocentric beliefs, which cause dysfunctional organizational silence and behaviors such as withholding, distorting, and delaying the communication of authentic information.

However, one can see that alternative behaviors do exist in business settings: organizing for compassion (Dutton et al., 2006); organized actions that display empathy, sympathy, and elicit hope among members experiencing emotional pain caused by radical change (Huy, 2002); interactional justice involving powerful members' fair interpersonal treatment of their subordinates (Bies, 2001; Greenberg, 2006); making a social difference to create more meaning in one's work (Grant, in press). Without pretending that a theory must replicate fully what is empirically observable, we suggest that these alternative behaviors exemplify the enactment of a philosophical orientation called practical wisdom.

Several philosophers, such as Aristotle (1976), Levinas (1989), and Ricoeur (1992) have developed rich philosophies of both self-other relationships and moral judgment. Practical wisdom (classically, *phronesis*) is an applied philosophy of respect for others and their *a priori* (before experience and action) right to be different. "Practical" connotes the concept's applied nature, involving concrete and useful actions in everyday situations; and "wisdom" denotes a process of attunement that involves sensitivity to others, including respect for individuality, freedom to think and speak, and the keeping of promises. Because practical wisdom comes from an established philosophical tradition, we rely on this concept to underpin our discussion on knowledge sharing in organizations. Another reason is that practical wisdom focuses on individuals as selves-in-context rather than on individuals' transcendental values. The latter (Kantian) stance often leads to dead-ends as to whether one transcendental principle is inalienable or not, essential or not, superior to others or not. Contractual models of ethics also

suffer from the unavoidable check-list of superior ethical principles and values. Practical wisdom assumes *a priori* inherent differences between the “same” and the “others” and therefore focuses on encounters in which the other meets the same. In contrast, other normative approaches underpinned by the Kantian categorical imperative would display the same under-developed view of individuals who are constrained by the cognitive and affective limitations that we discussed previously. Finally, because of its inherent social-interactive nature, practical wisdom is well suited to inform our questions about the interactive quality of knowledge sharing in organizations.

Practical wisdom represents the ability of a person to comprehend her own as well as another person’s distinctive nature and to integrate this comprehension into her actions. Practical wisdom is more than a mere psychological or social individual orientation. As we will elaborate, practical wisdom integrates an ontology of the self. Ricoeur (1992) anchors practical wisdom in the definition of the self that by its very nature influences its relationships with others in an inclusive framework that relates one’s actions to larger social outcomes via the two properties of reciprocity and moral exemplarity. Any self faces the tension of persevering as the same self over time (preserving one’s character) and, at the same time, evolving and developing the self through social interactions. This personal evolving history is marked with moments in which one distances oneself from oneself to visualize oneself as another. Reconciling the dynamic evolution of oneself with the “irreducible” permanence of one’s character is difficult for everyone. Coming to terms with this tension requires accepting the dialectical nature of oneself as both permanent and evolving as well as recognizing others’ rights (Donaldson & Dunfee, 1994; Levinas, 1989). Therefore, in her interactions with others, a “practically wise” person does not only enact her self-character, but may also *change herself*—and accept the undergoing changes—via narratives, argumentation, and conversations with others (Ricoeur, 1992, 2000).

This philosophical orientation challenges one of the key assumptions of traditional learning and change intervention theories (Schein, 1992; Senge, 1992; Argyris, 2000): the knowledge holders are assumed to possess the truth that they seek to impart to the receivers, who are assumed to be cognitively limited and trapped by their own hidden assumptions (Edmondson, 1996). The knowledge holders are not supposed to change themselves although they ask others to change.<sup>2</sup> In contrast, practically wise agents do not hold assumptions of superior cognitive ability and knowledge in relation to that of their receivers.

In organizational contexts, practical wisdom is shown through enacting principles of reciprocity and moral exemplarity. Reciprocity refers to the *a priori* acknowledgment that others' opinions can be valuable. Reciprocity involves projective feelings of equality and empathy inasmuch as the change agent could become a change recipient under other circumstances. Power is only relative and context dependent; for example, the CEO of a firm may have to obey the orders of his employee who acts as a volunteer firefighter outside of the office. Reciprocity is a principle of interpersonal relationships that promotes balanced relationships and refrains from domination through abuse of power (Ricoeur, 1992). Practically wise agents wield power but willingly restrain themselves from the tendency to dominate others. Change agents can show their wisdom by generating spaces for conversations and allow themselves to change through conversations with others (Ford & Ford, 1995) and “thinking together” to increase the diversity of meanings and foster the emergence of new ideas (Bohm, 1996).

Moral exemplarity is a principle in which powerful agents subsume their individual goals and actions under others' capacity to accept them, and who by this very behavior, foster support

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<sup>2</sup> In this paper, we use the terms “change agent”, “influencing member”, “executives”, and “powerful agent” interchangeably, to denote individuals who wield important influence over others' thinking or behavior, through formal authority or informal social influence (Barnard, 1968).

for its underlying values. Change agents who enact practical wisdom influence others through social contagion and role modeling (Brass *et al.*, 1998; Greenberg, 2006). Enacting moral exemplarity means that agents do not value their self-centered goals more highly than others' goals. Table 1 summarizes the key elements of reciprocity and moral exemplarity that constitute our definition of practical wisdom.

**Insert Table 1 about here**

We can start seeing how practically-wise managers harbor beliefs that are opposite to those that led to organization silence (Morrison & Milliken, 2000), that is, the beliefs that employees are self-interested, management knows best, and dissent is bad. Practically-wise managers do not start with the assumption that their subordinates are only self-interested. They also recognize that lower level employees can know more than themselves. They encourage dissent as manifestations of authentic expressions of discomfort, personal involvement, and potential useful feedback for organization improvement. By treating other organization members as whole human beings who think as well as feel, practically-wise leaders embrace both cognition and affect in their interactions with others and respect others' differences both in their beliefs and feelings. As a result, these leaders also act as compassionate (Dutton, Frost, Worline, & Kanov, 2002) or emotional leaders (Goleman, Boyatzis, & McKee, 2001).

This leads us to discuss the second major challenge of practical wisdom to traditional organizational behavior. By treating organizations as holistic human communities, practically-wise leaders integrate adaptive emotion regulation by promoting organizational norms and routines that acknowledge and attend to their members' emotions. These emotion-attuned norms and practices constitute emotional capability (Huy, 1999).

## EMOTIONAL CAPABILITY

An idealized traditional belief prescribes that managers should avoid tackling emotional issues at work. The dominant corporate (“bureaucratic”) model holds that organizational effectiveness relies on impersonal administrative rules (Crozier, 1963). Emotions can interfere with the application of these rules. Traditional bureaucracies attempt to keep personal and home life separate from work concerns so that if an employee experiences difficulties balancing personal and work concerns, it is up to the individual to resolve these issues, not the organization. Parsons’ (1951) functionalism asserted that emotions should play no role in the pursuit of task-related goals. Emotions are assumed to impair good decision-making. Cartesian rationality holds that emotionality introduces cognitive biases, inappropriate favoritism among personnel, or misallocation of resources on personal pet projects (Bower, 1986; Fineman, 2003). At the extreme, organizations are deemed successful to the extent that they eliminate “all purely personal, irrational, and emotional elements which escape calculation” (Weber, 1946: 216).

Yet, an alternative belief system exists, one that holds that emotions that are properly regulated can enhance well-being and adaptation (Isen, 2000; Gross & John, 2003; Lopes et al., 2005). Feelings are embodied in human interactions and thinking and imbue the latter with meanings (Sandelands, 1998). We argue that they can also enable knowledge sharing. At the individual level, an individual’s emotional intelligence is positively related to the individual’s ability to change and exchange (Salovey & Mayer, 1990). Research has found that the presence of emotion is essential to value judgments, social and ethical considerations, and, more importantly, to the value-laden *behavior* (Damasio, 1994; Haidt, 2001) that will most likely come into play when dilemmas about knowledge sharing arise. Second, certain specific emotions can foster ethical behavior over material considerations, for example, the prospective fear of experiencing guilt, shame, or embarrassment (Izard & Ackerman, 2000; Frijda et al., 2000).

At the organizational level, according to Huy's (1999, 2002, 2005) model, an emotionally capable organization is one that can systematically perform appropriate emotion regulation actions or routines (called emotional dynamics) that attend to organization members' emotions elicited by stressful events such as major change. Emotional capability represents collective, organization-based emotion intelligence as opposed to individual-level emotional intelligence (e.g., Lopes et al., 2005). Emotional capability is reflected in organizationally supported emotion-attuned actions that aim at reducing members' suffering and at enhancing their well-being through the experiencing of emotions such as hope, fun, and love in a climate of authenticity. Although moderate levels of negative emotions can stimulate people to learn (Schein, 1996), prolonged high levels of such emotions can impair learning (Huy, 2002). Recent research suggests that experiencing positive emotions exerts a broaden-and-build effect on people's thinking and behavior, enabling them to innovate and build healthy social relations (Fredrickson, 1998, 2001).<sup>3</sup> By focusing on members' emotional well-being, emotion-attuned actions are likely to foster positive collective adaptation by helping distressed members become more receptive to learning and change. Examples of these emotional dynamics are authenticity and the dynamic of display freedom, empathy and the dynamic of experiencing, and sympathy and the dynamic of reconciliation (see Huy, 1999).

We focus on organizational emotional capability because emotional closure is a major impediment to knowledge sharing in organizations (Argyris, 2000; Morrison & Milliken, 2000). This literature also provides the theoretical mechanisms that deal with emotion-related actions at higher levels of organizational analysis (e.g., group and intergroup) that transcend the individual or interpersonal level that characterizes much of the research on emotion and emotional

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<sup>3</sup> Negative emotions can also help human learning and growth. But we posit that experiencing negative emotions alone, in a context such as disruptive organizational change, is not sufficient to sustain human learning and growth. Both positive and negative emotions are necessary.

intelligence (e.g., Salovey et al., 2003; Lopes et al., 2005). One of the enablers of emotional capability is the dynamic of display freedom, which refers to an organization's ability to facilitate the variety of authentic emotions that can be legitimately displayed and felt during stressful times (Huy, 1999). Such freedom is bounded by sensitivity to others' well-being (Putnam & Mumby, 1993). Feelings can act as important information under uncertainty (Schwarz, 1990). The extent to which people feel that they can safely express their true feelings could influence the speed and degree of authenticity of the narratives they share about important organizational events, especially between groups with asymmetrical power (Westley, 1990).

To illustrate, to the extent that the exercise of power is felt to create unbalanced relationships between knowledge holders and receivers, as when top executives maintain surface harmony and exercise domination through emotions such as fear and embarrassment, subordinates may restrict the range of displayed emotions to mainly positive expressions (Morris & Feldman, 1996). Negative displays could be interpreted as cynicism or detachment (Van Maanen & Kunda, 1989). Such restricted emotional expression is likely also to limit the sharing of mistakes and learning from failures that are bound to occur in any innovative experiment and, as a result, slow down the rate of organizational learning and knowledge sharing. Sharing and learning from mistakes are more likely to occur in a climate of psychological safety (Edmondson, 1999) and low activation of defensive mechanisms (Argyris, 1990). Consequently, managers who deny emotionality in the workplace risk blocking the reliable and rapid transmission of information, especially bad news from the lower levels of the organization at a time when rapid feedback and adjustment from changing are most needed.

As stated, practical wisdom stresses individuals' freedom to think, feel, and express their individuality, but also curtails such freedom to respect for others. Reciprocity within practical wisdom (i.e. understanding the contextual dependence of hierarchical status and valuing others'



opinions) is facilitated by displays of empathy and sympathy inherent in emotional capability. Moral exemplarity (i.e. subsuming one's goals under others' capacity to accept them) is enabled by emotional capability actions such as creating hope in a better future and enjoyment at work. Hence, practically-wise leaders encourage freedom to express one's thoughts and feelings within the norms of civility. They also instill hope in a better future through concrete encouraging actions that improve the members' long-term well-being (e.g., investing in members' training and education, investing in new product development as opposed to exclusive cost cutting). Identification with the leaders' values of practical wisdom increases recipients' emotional comfort with the way the changes are implemented and mitigates their fear and mistrust of the agents' motives. Top executives' words and actions are highly symbolic and are closely monitored by people at the lower levels (Pfeffer, 1981). To illustrate, moral exemplarity is diffused via social contagion when middle managers follow top executives' role modeling by attending to employees' prolonged and intense agitated emotions (e.g. fear, depression, hopelessness) caused by disruptive changes that harm employees' work and personal lives (Huy, 2002). Freedom of expression associated with sensitivity to others reflects the symbiotic interaction between practical wisdom and emotional capability. Enacting emotional capability within the philosophical orientation of practical wisdom reduces the risk of emotion management becoming yet another tool of domination whereby powerful members manipulate employees' hearts to serve their own self-centered ends (Hochschild, 1983).

## **PRACTICAL WISDOM AND EMOTIONAL CAPABILITY**

### **IN ORGANIZATIONAL CONTEXTS**

We recognize that many individual members can exhibit both high practical wisdom and high emotion-attending skills. Although research has started to investigate the interaction between ethics and emotion in influencing decision-making and sensemaking at an individual

level (Haidt, 2001; Sonenshein, 2006), very little research has explored how this interaction plays out at the organizational level, especially in regard to knowledge sharing. We propose to investigate this interaction at an intergroup level by assigning distinct organizational roles to two groups of members who wield influence in a large and complex organization (Perrow, 1986): top executives and middle managers. By considering only two groups of organizational actors, our simplified model excludes other influential actors, such as front line employees or union representatives. We leave such wider theorizing to future research.

Top executives will assume the organizational task of *creating* an enabling organizational context that fosters the development and diffusion of practical wisdom (PW) and emotional capability (EC) practices—what we call a “PWEC context”. The organizational ethics and organizational behavior literatures suggest that top executives not only act as cultural shapers and symbolic managers (Morgan, 1993; Pfeffer, 1981; Burgelman, 1994), but also as shapers of the ethical context. More specifically, top executives play three roles: (i) role modeling in enacting principles of practical wisdom and emotional capability in their day-to-day interactions with their subordinates (a key behavior that differentiates practical wisdom from traditional charismatic or visionary leadership [Howell & Shamir, 2005] is top executives’ ability to *change themselves* while changing others or after interacting with others); (ii) allocating adequate organizational resources (e.g. time, funding, attention) to develop systematic training programs to coach personnel supervisors, in particular middle managers, to engage in practical wisdom and emotional capability in their daily practices; (iii) selecting, monitoring, and rewarding middle managers who practice norms of practical wisdom and emotional capability with people around them.

Middle managers will perform the organizational role of enacting emotional capability under norms of practical wisdom with their peers and subordinates. Three reasons explain how

this role is distinct from that of top executives: their relative numbers (more middle managers than top executives), the higher frequency of interactions with other organizational members, and middle managers' aggregate capacity to deal with different organizational subcultures. First, because effective emotion attending requires knowledge of each individual's needs, it will be difficult for a few top executives to attend directly to the emotional needs of a large number of employees. Within an enabling context created by top executives, middle managers can monitor themselves and their colleagues, and pool their complementary strengths to help each other improve the practices of practical wisdom and emotional capability. Second, middle managers can sense and sympathize with their front line personnel's feelings better than top executives because they work more frequently with their subordinates. Whenever they feel that they lack personal energy or ability to enact these practices when needed, they can solicit their colleagues' support or hire external consultants to help them perform these demanding tasks.

Third, effective middle managers are those who know the tacit ways of working of various groups, are familiar with the various organizational subcultures, and can speak their local language. These managers can translate corporate ethical and emotional norms into actions that display local sensitivity (Huy, 2002). As a result, these customized actions are likely to be well received by the recipients. Finally, middle managers can play an advisory role to top executives by providing feedback and suggestions on the progress of development and diffusion of practical wisdom and emotional capability, and can suggest more appropriate actions to facilitate such diffusion. We label the collection of such tasks "PWEC context adjusting".

We now present four scenarios (summarized in Table 2) that reflect varying situations in which top executives perform a high or low level of *PWEC context creating*, in interaction with middle managers who enact a high or low level of *PWEC context adjusting*. Based on our previous discussion about the quality of knowledge sharing, we distinguish two attributes of

quality: knowledge content (authentic versus distorted) and speed of communication (rapid versus delayed). We will also provide case examples to illustrate various types of interaction between top executives and middle managers, although we caution that these cases may not replicate fully our theorizing.

**Insert Table 2 about here**

### **Scenario 1: High PWEC context creating and high PWEC context adjusting**

In fast changing environments which characterize the situations of many companies today (Brown & Eisenhardt, 1997), top executives will have to devote a significant proportion of their time to updating external stakeholders who are concerned about the evolution of the company's performance, negotiating with other companies' executives about alliances and acquisitions, or placating politicians who may be concerned about the impact of the company's decisions on the local economy. Even if top executives are aware of the need to devote significant time to internal issues, they may not be able to do so.

Conscious of their personal limits in regard to time availability, personal knowledge, and their own physical and emotional resources, practically-wise top executives in a large organization know that they have to rely on many middle managers to cooperate with them if they want to garner a reasonable chance of success in realizing ambitious corporate goals (Floyd & Woolridge, 1996). One criterion for selecting these middle managers is that they are also cultural and emotionally attuned and are respected as natural leaders by their local peers and subordinates (Huy, 2001). When top executives display "reciprocity", that is, respect for these managers' competences, and involve them as equals in co-shaping the company's strategic direction, they elicit middle managers' voluntary cooperation (Westley, 1990).

Such respect is likely to elicit honest narratives emanating from lower layers of the organization, with middle managers acting as spokespersons. By practicing emotional capability

with middle managers, that is, eliciting feelings of safety and enjoyment about work stemming from meaningful contributions, executives create an enabling context in which middle managers are encouraged to share mistakes and good practices and learn from them. Mutual sympathy (emotional capability) in a spirit of reciprocity (practical wisdom) is expressed when top executives and middle managers display humility and change their respective initial perspectives based on mutual honest feedback and open discussion (Quinn & Spreitzer, 1997). This humility acts to inhibit emotional closure and diffuses in the organization through executives and middle managers' role modeling. When top executives and middle managers display such humility to learn, they show evidence of their moral exemplarity and alleviate other members' fears about their own vulnerability as they share sensitive knowledge.

As a result, the corporate objectives and the process of implementing them will be openly examined and debated with these middle managers in a respectful climate, to ensure the maximum chance of acceptance by the receivers when the company objectives will be officially announced by top executives. This procedure illustrates "moral exemplarity", that is, the quality of powerful agents who subsume their goals and actions beneath others' capacity to accept them.

In turn, middle managers are likely to feel energized that their ideas and competences are truly heeded by top executives and are materially incorporated in shaping the strategic direction of the company in a way that seems compatible with the values and aspirations of the local constituents they represent (Huy, 2001). They are more likely to exert extra efforts to make ambitious goals happen because they are proud of their participation in co-defining these objectives (Quinn & Dutton, 2005). These are shaped by them and for them. These people will be likely to enact all the skills and knowledge they have at their disposal, including locally appropriate emotion-attending actions.

When top executives respect middle managers, and the latter enact emotional capability

under norms of practical wisdom, two conditions favor the emergence of authentic sharing of knowledge. Such shared knowledge is likely to reflect reality since involved parties mutually respect each other. Sensitive issues are likely to be evoked, and there is accuracy in the presentation of information. Moreover, the content of such shared knowledge is likely to be detailed, multi-level, reflective of different activities or geographies, accurate and trustworthy. Although the multiplicity of sources and details coming from middle managers could blur the key messages and create risks of misinterpretation, the quality of knowledge sharing is unlikely to deteriorate significantly because open communication and corrective feedback exist between top executives and middle managers. As a result, we can expect knowledge sharing to be authentic and rapid. Top executives can find within the middle management rank reliable and competent collaborators, and because executives' exemplary behavior as role models discourages misdemeanors and continuously promotes actions consistent with their previous rhetoric, the high quality of knowledge sharing is also likely to be durable.

**Proposition 1:** *Top executives' high PWEC context creating and middle managers' high PWEC context adjusting likely produce sustained authentic and rapid knowledge sharing.*

The alliance between Renault and Nissan illustrates this situation (Hughes, Barsoux, & Manzoni, 2003). Carlos Ghosn, a Renault top executive, came to Japan to conduct radical change to resurrect a dying Nissan saddled with debts. Ghosn, who had to communicate with Japanese employees through an interpreter, spent over two months talking to Nissan employees at all levels at their own work sites before his formal appointment (displaying reciprocity by listening to lower-level employees who can possess valuable knowledge). Besides learning more about Nissan's operations and employees' viewpoints and emotional states, he was aware that the radical change process could threaten the psychological and social defenses of the Japanese recipients. Their painful or bad feelings could be projected onto change agents (this is an

example of displaying reciprocity by recognizing and respecting others' feelings). Skeptical or fearful Nissan employees were not likely to support fully these French executives, who did not appear to understand their national culture and could not even speak Japanese.

Ghosn, nicknamed the "cost-killer," reassured the fearful, depressed, or skeptical Japanese that this was an alliance among equals and not a merger in which Renault exerted domination through its financial strength (displaying emotional capability by eliciting emotional comfort within norms of moral exemplarity by subsuming his turnaround goals under others' capacity to accept them). He displayed emotional capability when he asserted that he had come to improve Nissan's welfare (eliciting hope), praised Nissan's core competences in engine design and production that Renault could learn from and extolled the strength of the Japanese culture (eliciting pride), and expressed his desire to maintain it within Nissan (eliciting comfort). He also used very few external consultants and went deep into the lower levels of Nissan to enlist over 500 Japanese veteran middle managers to form cross-functional teams to develop an ambitious recovery plan (displaying reciprocity by recognizing that lower level people can provide valuable input). When he announced the details of the plan to investors, he publicly gave credit to these middle managers (displaying moral exemplarity by not emphasizing only self-centered goals and efforts, and acting as a role model in teaching middle managers to give credit to their subordinates in turn). This relatively small group of middle managers acted as change catalysts throughout Nissan, developed new converts over time, and maintained close contact with the French executives to give them feedback to adjust their recovery plan (displaying reciprocity by changing one's initial goals or plans).

Ghosn and the top team displayed reciprocity, moral exemplarity, and emotional capability, although these executives may not have been fully aware of these concepts. The quality of knowledge sharing was high, as there was consistently clear communication between

the top team, middle managers, and the lower levels of the organization in a context of unprecedented negative change involving numerous plant closings and massive cost cutting. Japanese line middle managers displayed high emotional capability by expending much effort in attending to the individual emotional needs of relocated and laid-off workers, and this helped attenuate employees' and unions' resistance to painful change.

### **Scenario 2: High PWEC context creating and low PWEC context adjusting**

In this situation, only the first factor favors knowledge sharing in the organization. As in the prior case, top executives create enabling conditions for practicing reciprocity through conversations and attentive listening to subordinates. They behave exemplarily by not rushing to decisions and exert power wisely by not dominating others. They encourage respectful display of a large range of emotions within the organization and encourage influential members to pay attention to these expressions.

However, while the conditions for PWEC context creating exist, there is a lack of adjusting capability. Accepting to change oneself through encounters with others is not practiced by middle managers. At first, middle management is neither able nor willing to follow top executives' examples, nor do they practice reciprocity. Moreover, the low emotional capability of middle managers reduces the quality of adjusting in the PWEC context. Attending to others, namely, acknowledging and attending to colleagues and front line employees' feelings, behaviors, and thoughts does not diffuse as a common practice. As a result, peers and subordinates may feel reluctant to formulate their views, as they feel discouraged from expressing their true thoughts and feelings and are insecure in sharing their knowledge. Hence, knowledge sharing in the organization is likely to be slow and inauthentic, at least initially.

Top executives, however, can persist in creating a PWEC context. They can start to select and coach a limited number of potentially able middle managers who are willing to enact



practical wisdom and emotional capability. These managers would be role models to their colleagues who, over time, are likely to appreciate the beneficial effects of reciprocity and emotional openness and join this initial group. Feeling appreciated for enacting PWEC norms reinforces these managers' new behaviors. Executives also provide support and resources to foster the enactment of emotional capability. Displaying sympathy and the dynamic of reconciliation allows people to reflect openly on past behaviors while reciprocity grows in the organization. Empowered middle managers act as sensitive change agents and elicit positive feelings of encouragement and attachment among other members. Over time, emotional capability as a collective competence grows inside the organization and, with it, enhanced knowledge sharing. The speed and authenticity of knowledge sharing is likely to increase gradually over time.

**Proposition 2:** *Executives' high PWEC context creating and middle managers' low PWEC context adjusting likely produce a gradual increase in the authenticity and speed of knowledge sharing*

In the pharmaceutical industry, Sanofi's progressive integration of Synthelabo's R&D provides some insights as to how practically-wise top managers overcame initial low emotional capability displayed by middle managers to gradually develop an effective knowledge organization by 2003 (first-hand interview with financial analysts by the authors; Fair Disclosure, 2004). In the mid 90s, when Sanofi acquired Synthelabo, the department heads opposed one another. Former competitors and middle managers in charge of research programs spread rumors about Sanofi's intentions and demotivated researchers. This discouraging news led to a decline in innovative output. Gerard Le Fur, head of scientific affairs, then developed a new approach to restore confidence among employees of the newly acquired companies. Le Fur motivated researchers through a number of actions that expressed authenticity (emotional dynamic of

display freedom), sympathy (reconciliation), and hope (encouragement). He changed his vision of scientific research, based less on protective authorship than on being more open to teams and positive self-reinforcement, both at the individual and collective levels. For a decade now, he has been reiterating at every meeting with investors “that’s not me, we are a team”, as a sincere and exemplary acknowledgement of collective work. He also described how much the integration of Sanofi-Synthelabo transformed him and enhanced his ability in tackling new challenges.

During the integration of Sanofi-Synthelabo, Le Fur personally organized meetings to discuss openly thoughts and feelings about the ongoing integration progress (expressing authenticity and sympathy), promised additional research resources and delivered them (hope), and harmonized reward systems based on criteria acknowledged as fair by most of the employees (authenticity and sympathy). “Our style is ... management by consensus. Everybody partakes and this creates a sense of belonging. We take work and play on a serious note” (Khoo, 2002). Le Fur justified his focus on select research areas by showing steady and dramatic yearly increase in research productivity (Sanofi-Synthelabo, 2004). In early 2004, thanks to its renewed research capability, high-quality knowledge sharing with internal and external stakeholders, and increasing market influence, Sanofi-Synthelabo successfully took over its larger but underperforming rival Aventis, with Le Fur as the future CEO of the new company.

### **Scenario 3: Low PWEC context creating and high PWEC context adjusting**

Here, middle managers attend skillfully to their subordinates’ feelings and thoughts (enacting emotional capability within norms of practical wisdom). Thanks to an open work climate, there is likely to be high-quality knowledge sharing within each local work unit. However, narratives that originate at the lower levels may be stifled at the corporate level by top executives who are not receptive to bad news, honest feedback, or dialogue. They discourage such conversations and diffuse biased, self-serving narratives about the organization’s processes

and outcomes (displaying low reciprocity by not valuing lower-level employees' opinions and low moral exemplarity by not subsuming their goals under others' capacity to accept them). As a result, middle managers are likely to tell only good news and restrict the range of displayed emotions to mainly positive expressions when they interact with top executives (Morris & Feldman, 1996). Negative displays could be interpreted as cynicism or detachment and be punished (Van Maanen & Kunda, 1989). The initial level of knowledge sharing is likely to be at best moderate due to half-truths embedded in self-censored information transmitted by middle managers and to the biased narratives reconstructed by top executives.

However, over time, these middle managers may find other ways and places to express their discomfort about how top executives distort organizational narratives. These managers take independent initiatives to attend to their employees' needs and feelings. At the same time, they face the challenges of meeting their demanding task objectives while receiving little material or emotional support from their superiors (Huy, 2002). As unsupported "toxic handlers," they gradually become vulnerable to psychological or physical afflictions that weaken their managerial effectiveness (Frost, 2003). Meanwhile, top executives will have had ample time to observe and remove middle managers who do not act according to their wishes. Self-centered and insecure top executives thus eliminate many sources of negative emotions elicited by middle managers' dissonant voices (Hirschman, 1970) and put sycophants in place who say what their superiors want to hear (low reciprocity by devaluing lower levels' authentic opinions and displaying low moral exemplarity by imposing their own self-centered objectives and expecting others to implement them). As a result, the quality of knowledge sharing within the organization is likely to decline gradually, both in speed and in authenticity.

**Proposition 3:** *Low executives' PWEC context creating and high (initial) middle managers' PWEC context adjusting likely produce a gradual decline in the authenticity and speed of*

*knowledge sharing.*

A change process that took place in a large non-profit humanitarian organization we studied helps illustrate this scenario. Members who worked in this organization had a long and proven history of personal courage for volunteering to work in dangerous areas to attend to others' suffering. In a sense, they, including middle managers who were promoted from the front line, could be assumed to have a moderate-to-high level of emotional capability. However, the board of directors wanted to make this organization more effective along the lines of a profit-oriented company. Thus, they appointed as CEO "Jim," who had spent a large part of his career working as an executive in the financial investment sector.

Jim brought in the formal control and personnel incentive systems used in his industry and imposed them on this organization (low moral exemplarity by imposing one's goals without caring about others' acceptance). As he faced skepticism and resistance, instead of dialoguing and understanding the employees' feelings about his proposed changes (low reciprocity by not respecting others' opinions and feelings), for the most part he stayed away from them, talked about his ambitious change with outsiders, sidelined veteran middle managers from influential positions, and appointed his financial industry colleagues in top positions to help him push the change downward (low reciprocity by not valuing others' dissenting opinions). All these actions resulted in slow progress of change, which was noticed by both internal and external stakeholders. Meanwhile, emotionally capable middle managers did their best to attend to the declining morale of their employees and to fulfill the organization's primary mission, which was to help the disadvantaged. After about four years, the intended radical change to make the organization more effective produced the opposite effects: lower confidence, loss of competence, and less knowledge sharing. Continuing conflicting narratives between top executives and middle managers exacerbated the situation and the board asked the CEO to leave.

#### **Scenario 4: Low PWEC context creating and low PWEC context adjusting**

Two disabling factors are present in this case. Top executives do not display much respect for their subordinates' opinions and feelings. They pursue their personal objectives and develop their own narratives of the company's situation. Display of authenticity, sympathy, and attachment is neither valued nor encouraged. Top executives do not practice reciprocity and moral exemplarity as two key attributes of practical wisdom. Neither do they create an enabling context for expressing a wide range of emotions. Consequently, middle managers are socialized to display few caring behaviors for their subordinates who may experience discomfort with poor leadership. Middle managers also seek to protect their own power by controlling the transmission of knowledge and suppressing any information that risks upsetting their superiors. They deny divergent facts and rationalize their actions by invoking hierarchical obedience (Suchman, 1995). However, knowledge sharing can still appear to work efficiently in this situation because of a decoupling between what should be shared for organizational effectiveness and what is actually shared. Critical pieces of information circulate because fear of sanction motivates employees to convey what they know, although their messages can lack authenticity. Reciprocally, organizational members protect themselves from potential reproach from their untrustworthy leaders by biasing their knowledge sharing in at least two ways. First, they can flatter knowledge receivers. Second, they focus on the manner in which they convey such information rather than the content. Hence, knowledge sharing is likely to exhibit low authenticity, although it can be rapid, as middle managers may want to tell top executives what they want to hear as quickly as possible to ingratiate them.

However, such rapid knowledge sharing may be short lived. Support for these self-centered executives may disappear suddenly, as other actors may have vested interests in promoting another scientific, technological, or client-based orientation for knowledge sharing

(Alford, 2001). Negative sentiments fuel the process of contestations, which elicit embarrassment and shame among many members for failing to live up to their professional and organizational duties. Increasing turnover, information leakages, whistle blowing, negative publicity, and personal disparagement erode top executives' credibility and can lead to a widespread breakdown of knowledge sharing in the organization because of generalized mistrust. The speed of knowledge sharing is likely to decline significantly.

**Proposition 4.** *Low executives' PWECC context creating and low middle managers' PWECC context adjusting likely produce inauthentic and rapid but declining speed in knowledge sharing.*

The FBI's handling of events pre- and post-September 11 illustrates the contextual interaction between low practical wisdom and low emotional capability, in a situation where rapid and authentic knowledge sharing was vital to national security (Ratnesar & Burger, 2002). Ms. Coleen Rowley, from the Minneapolis office, for a while "muzzled her grief" about the Bureau's deficient knowledge sharing: the higher hierarchy ignored pleas from her office to investigate a suspected terrorist, Zacarias Moussaoui, who had signed up at a local school to fly a 747. The director of the FBI, Robert Mueller, said repeatedly and publicly that the Bureau did not know that terrorists were training on U.S. soil and could not have done anything to limit or prevent the destruction. Rowley felt uncomfortable and thought that the new director might not have been well briefed on the Moussaoui case. She wrote a private memo to inform him of the facts but received no response. Only after Rowley's memo was leaked to the public (apparently by people other than Rowley herself) did Mueller faintly qualify his previous assertions.

Meanwhile, colleagues of Rowley appeared to display low emotional capability (i.e., sympathy) when they actively increased emotional pressure on her already distressed state with fear, guilt, and shame-inducing tactics. They spread rumors of criminal charges prepared against

her (fear). Some retired FBI veterans even likened her to an earlier convicted spy for the former Soviet Union (guilt by metaphorical association), reminded her “an ounce of loyalty is worth a pound of cleverness,” and openly asked her to resign (public shaming) (Ripley & Sieger, 2002). Rowley replied that loyalty is important in work but should not be the most important thing when it comes to not admitting mistakes, covering up, and not rectifying things only to save face (lack of authenticity and moral exemplarity). Meanwhile, director Mueller seemed to display low practical wisdom when he further confounded some FBI insiders by promoting and decorating officials who held key leadership positions when the Bureau missed attending to the warning signs in the months leading up to September 11. A result of these disconcerting actions on knowledge sharing, the FBI’s legitimacy was in doubt when a federal investigating commission recommended that domestic counter-terrorism responsibilities be taken away from the FBI.

## **DISCUSSION AND FUTURE RESEARCH**

Most scholars and practitioners contend that today timely information communication and knowledge sharing enhance firms’ competitiveness (e.g., Eisenhardt & Tabrizi, 1995). Knowledge sharing in organizations must not only be rapid but authentic. In this paper, we link the quality of knowledge sharing—authenticity and speed—to top executives’ success in creating an organizational context that encourages enactment of practical wisdom and emotional capability and middle management’s effectiveness in enacting these ethical and emotional norms in their day-to-day practice. Table 2 summarizes the quality of knowledge sharing as a consequence of top management’s effectiveness in creating a PWEC context and middle management’s effectiveness in adjusting such a context.

### **Insert Table 2 about here**

**Knowledge sharing.** We began by noting that the literature on organizational learning has under-recognized and under-theorized the interaction of ethics and emotions in affecting the

quality of knowledge sharing in organizations. We suggest that many of the cognitive and affective barriers that have been highlighted in the literature represent only surface manifestations of deeper causes, which we propose lie in members' philosophical orientation toward other human beings and how organizations treat and attend to their members' feelings. We contend that the relative absence of individuals' philosophical orientations and organizational emotional capabilities in the literature are more than a mere oversight from classical approaches, but rather a blind spot built into the idea of "rational management" (Weber, 1946; Parsons, 1951). As a result, many organizations discourage attention to these two important issues. We have also noted that much of the research on the interaction of ethics and emotion tends to focus on individual and interpersonal levels of analysis. We theorize on such interaction at an organizational level by modeling two groups of influential organization members and by assigning them different organizational roles: top executives as creators of the PWEC context (by exemplifying and diffusing norms related to practical wisdom and emotional capability) and middle managers as enactors of these norms in their respective communities of practice.

Although it is important for researchers to investigate various cognitive or social barriers and processes of knowledge transfer that can increase the effectiveness of knowledge sharing in organizations (e.g., Szulanski, 2000; Zollo & Winter, 2002; Kane et al., 2005), we propose that significant improvement in the quality of knowledge sharing can be achieved by addressing the deeper ethical and emotional roots. By modeling inter-group interactions in which two influential organizational groups display differences in creating and adjusting ethical orientation and emotional capability practices, we illustrate how these issues can be studied at levels of analysis that are higher than the individual or the interpersonal level. Although scholars such as Bird and Waters (1989) and Morrison and Milliken (2000) have provided us with valuable insights on the causes and effects of organization silence, they have been less explicit on how to remedy the



difficulties. Without pretending that theories must necessarily replicate reality, or follow it, we propose that insights from research on ethics and emotions, two often overlooked areas in the organizational learning literature, can provide us with new ways of thinking about the behavior of managers that can reduce the dysfunctional effects of organizational silence. This leads us to discussing how research on organizational ethics and emotion management can help advance research on knowledge sharing as well as proposing potentially fruitful research avenues for each of these two literatures.

**Organizational Ethics (OE).** For several decades, OE has mainly developed along three lines of research (Donaldson & Dunfee, 1994; Margolis & Walsh, 2003; Soule, 2002). The normative approach is value driven and focuses on advising people what ought to be done in various situations. The descriptive approach intends to be value free and focuses on explaining observable situations (e.g., employee theft, CEO misdemeanor) based on organizational, group, and individual characteristics. Recently, the instrumental research stream has focused on the links between ethics and organizational benefits. Clearly, knowledge sharing puts organizations and managers into an ethical quandary. Normative claims encourage managers to share knowledge because secretive behavior is prejudicial to any society (Donaldson & Dunfee, 1994). Descriptive studies show that values, locus of control, and cognitive moral development influence managerial choices, including those related to knowledge sharing (Trevino & Youngblood, 1990). The instrumental perspective entices managers to treat knowledge sharing as a competitive principle that benefits their organization (Hosmer, 1995).

Whereas organizational ethics and economics converge in extolling knowledge sharing as a desirable practice, reality seldom reflects these prescriptions. This decoupling between reality and ethics can be attributed to each OE approach's weaknesses. The normative stream seems often distant from the ethical dilemmas of business reality. The descriptive stream, by over-

focusing on enabling conditions in various contexts, glosses over deeper drivers of behavior like philosophical orientations and emotional capabilities. Meanwhile, the instrumental stream under-specifies the links between ethical principles, theories of action, and organizational contexts. Our model contributes to OE literature and practice because the mechanisms that we propose help us think differently and, perhaps more deeply, about the fundamental enablers of knowledge sharing. Our propositions articulate specific agents (top and middle managers) and observable organizational actions (i.e. creating and adjusting a context for enacting practical wisdom and emotional capability) and link these actions to organizational outcomes. We try to avoid pure normativity and not to judge agents' actions as being good or bad, just or unjust. We also try not to be purely conceptual or descriptive by interweaving theoretical relations with case illustrations. We do not limit ourselves to an instrumental view of OE but elaborate the causal mechanisms and organizational interactions that predict different qualities of a critical outcome, knowledge sharing. Distinct from previous research, our theorizing does not automatically relate ethical behavior to some pre-supposed advantage. In case 4, we show how some contextual cross-effects can produce a seemingly desirable outcome (rapid knowledge sharing) that is not caused directly by actors' ethical behaviors.

The practitioner literature has proposed many techniques to improve knowledge sharing, including external consultancy, matrix structures, IT platforms, and intervention processes such as the “strategic fitness process” (e.g., Beer, 2004). We contend that without a special attention to how practical wisdom and emotional capabilities are enacted in organizations, these techniques are unlikely to provide sustainable benefits. For instance, Beer (2004) recommends using the “fishbowl discussion.” The fishbowl discussion requires that task force members sit at a table in the middle of a room, discuss the case in point without offering any particular solution. During the entire discussion, top managers sit at tables away from the discussion and just observe and

take notes about what task members say. This technique does not emphasize the importance of core antecedents for knowledge sharing, such as reciprocity, moral exemplarity, and attending to feelings at work. Based on our theorizing, these techniques may, at best, improve knowledge sharing initially, as we showed in case 4, but the quality of knowledge sharing is unlikely to last. Future research can explore how actions enacting certain values (such as respecting others' opinions and feelings) can link OE more richly to organization theory.

We have extended OE research to an important organizational outcome, knowledge sharing. We foresee the potential for OE to contribute meaningfully to other organizational processes, such as organizational creativity, identification, or conflict resolution, with an approach that eschews the extreme ends of instrumental and decontextualized moral prescriptions, and which integrates relevant insights from various literatures such as economics, social-psychology, organizational behavior, and business strategy. Furthermore, we did not explore how practical wisdom exists or is developed among individuals or in organizations. Hartman (2006) suggests the shaping effects of role models and mentors, consistent socialization, and learning from cases to develop "moral imagination." The goal is to develop people who can apply ethical principles associated with consistent emotional behavior. Because work occupies a major proportion of people's lives, the socialization model that we propose can contribute to the development and maintenance of adults in enacting ethics and care in organizational life. Some researchers have suggested that people can be trained in emotion regulation (Totterdel & Parkinson, 1999). Much research is needed in this area.

In addition, future research can include other actors who can shape significantly organizational values and behaviors. In particular, unions and front line workers have not been included in our model for the sake of simplicity. These actors should be incorporated in a more expanded theoretical model. Second, some contingency conditions may influence top executives'

and middle management's effectiveness in creating or adjusting a PWEC context. Notably, the intensity of the competitive environment, technological turbulence, or the nature and scope of organizational change (evolutionary vs. revolutionary) may influence the effectiveness or speed of creating and adjusting actions. Finally, although we have mostly focused on bottom-up transfer of knowledge (assuming that lower-level employees are more knowledgeable about what is going on), future research can validate if the same phenomena (as proposed in Table 2) occur in regard to top-down knowledge sharing.

**Emotion management.** Research on emotion management in organizations has largely been silent on ethical considerations (e.g., Hochschild, 1983; Huy, 2002; Rafaeli & Sutton 1991, Van Maanen, & Kunda, 1989). This may have led some scholars to question whether advances in emotion research, including measuring emotional intelligence, represent a more insidious management control over employees (Martin, Knopoff, & Beckman, 1998). As Barnard (1946) stated (cited in Ryan and Scott (1995: 448) long ago: "How far is an individual member of a formal organization ethically obligated to go in behavior which would be immoral if he were acting in his individual capacity?" As Ms Rowley's predicaments with the FBI suggest, how far can an organization member ignore her true feelings and values because of her belonging to an organization, and what is the range of consequences to members' and organizations' long-term well-being? Our research is rare in that it exposes the link between ethics and emotions and shows how such linkages influence organizational actions and outcomes.

We propose that principles of reciprocity and moral exemplarity can provide a partial answer to potential ethical dilemmas regarding the use of emotion management as another means to achieve organizational objectives. Such emotion management activities have often been disguised under more socially desirable terms that have allowed them to elude ethical scrutiny, such as charismatic or transformational leadership, energizing or inspiring leadership (Bass,

1998). It seems necessary, then, that our proposed principles be reflected in a clear articulation of organizationally sanctioned emotion management practices that are transparent and beneficial to both the powerful and the less powerful. It follows that systematic training and monitoring of the ethical use of emotion management as a subset of personnel management practices should at least be imparted to influential members involved in knowledge development and sharing within and across organizations. Clearly, we do not advocate open unleashing of emotions in organizations. Rather, we stress the need for organizations to regulate their members' emotions according to principles of practical wisdom in order to generate positive organizational outcomes such as authentic and rapid knowledge sharing.

Taking this stance also implies that more research is needed to examine ethical conduct in regard to emotion management in organizations. In particular, the modeling role of top and middle managers seems critical in initiating, displaying, and diffusing appropriate values and sentiments toward others, whether the latter are internal or external stakeholders. Moral exemplarity and reciprocity as constitutive principles of practical wisdom allow knowledge senders and receivers to meet, discuss openly, and deal with issues related to emotions elicited by organizational or even personal issues. Although research on ethics and emotion management may seem overly utopian in an instrumental and highly competitive world, it appears nonetheless to be warranted in light of recent scandals that have undermined the public's trust in institutions as diverse as government security agencies, like the CIA and FBI, hospitals, and corporations like Enron, Shell, and Marsh and McLennan.

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**TABLE 1**

**Elements of Practical Wisdom**

Elements of Practical Wisdom	
Reciprocity	<ul style="list-style-type: none"><li>• Value others’ opinions and feelings</li><li>• Act on the belief that other lower level people can know more than their superiors</li><li>• Foster freedom of expression bounded by sensitivity to others’ well-being</li><li>• Can change oneself (or one’s ideas) in interacting with others</li><li>• Act on the belief that social or organizational positions are context-dependent; refrain from abuse of power</li></ul>
Moral exemplarity	<ul style="list-style-type: none"><li>• Subsume one’s goals under others’ capacity to accept them</li><li>• Refrain from acting based only one one’s self-centered goals</li><li>• Influence others through role modeling and social contagion</li><li>• Keep one’s promises</li></ul>

**TABLE 2**

**Authenticity and Speed of Knowledge Sharing**

Middle managers' role Top executives' role	High PWEC context adjusting	Low PWEC context adjusting
High PWEC context creating	<u>[case 1]</u> sustained, authentic, and rapid knowledge sharing	<u>[case 2]</u> Gradual increase in speed and authenticity in knowledge sharing
Low PWEC context creating	<u>[case 3]</u> Gradual decline in speed and authenticity in knowledge sharing	<u>[case 4]</u> inauthentic and rapid but declining speed in knowledge sharing