Prudence as an ethical foundation for risk management

ABSTRACT

Purpose: The paper draws on historical conceptions of true and false prudence within the broader context of virtue ethics ideas, to create a prudence framework for developing risk-and-ethics cultures in organisations.

Design/methodology/approach: The authors employ a theoretical analytical approach as a means of examining plausible representations of risk as ethical practice.

Findings: While the ethical ideal of true prudence is explained primarily with reference to psychological theories of generativity, false prudence is explained as undesirable, primarily with reference to psychological problems of narcissism and the broader dark triad. True and false prudence are represented as centring upon very different motivations for foresight, each of which might set the cultural tone for organisational risk management.

Originality/value: The paper's main contribution is therefore to call attention to the benefits for organisations of reflecting upon differences between true and false prudence when planning the risk management they want.

Keywords: Prudence; Ethics; Risk management

Introduction

This critical perspective paper has a foundational character in its literature contribution. Engaging with diverse ideas and literatures, it explicates ethically transformative potentialities for organisational risk management inspired by virtue ethics conceptions of *'prudence'*. This introduction will now highlight key assumptions underlying the paper's central concern to diagrammatically set down a *'prudence framework'* which clarifies and simplifies the authors' theorisation of prudence as an influencer of risk management.

The paper will use prudence literatures in conjunction with diverse other literatures dealing with virtue ethics, psychology, risk management and risk culture, to build a theoretical foundation for exploring the latent potential for prudence-driven ethical transformation of organisational risk management to become a locus for *goodness* within organisation life. A simple practical illustration of how prudence can manifest within organisations to produce such effects will be provided in the conclusion. However,

differentiation between two versions of prudence matters here: *true prudence* and *false prudence.* The paper proposes true versus false prudence as an appropriate simplifying binary for theorising risk culture design choices in organisations – essentially in terms of what to aim for and what to avoid. First we will look very generally at prudence, and in particular at the broad range of meanings that have historically between drawn together under the heading of both that term and its historical antecedents, so that true and false versions of it can then be differentiated.

The remainder of this paper's structure is simple. In section that follows, we outline the origins and meaning of true prudence, in order to clarify key aspects of its implications for risk management, which we then set down within figure one. In the ensuing section we then explore the contrast between true and false prudence, in order to set down figure two, which is intended to more fully illustrate our expectation that some constant tussle between true and false prudence is likely to play out within every organisation's risk management - and very possibly in the mind of each person's forward thinking. Our conclusion will then focus, from a risk-and-ethics culture standpoint, on the practical implications of our theory.

Prudence

Prudence as foresight for virtuosity

In order to begin to theorise the very different implications of true and false prudence for risk management, the centrality of *foresight* to general meanings of prudence, throughout the concept's long very history, requires strong emphasis. The (2016) Oxford English Dictionary defines the contemporary English word *prudence* with reference to its multiple origins in the history of virtue ethics ideas that date back, prior to their Christianisation in medieval Europe, through ancient Rome to ancient Greece. Borrowing from one meaning of the Classical Latin term *prudentia*, contemporary English usages of the word prudence tend strongly to denote foresight above all else (Kimball, 1990). Borrowing from both this and from the Old French *prudence*, the word also retains strong connotations of wisdom and common sense.

These meanings derive in turn from the Ancient Greek *phronesis* which is conventionally translated as practical wisdom (Cooper, 1975). One of the more intriguing

aspects of prudence, traced back through this lineage of ideas, is that *phronesis* was regarded by the Ancient Greeks as a fusion of intellect and ethical sense; that is, as a singular complex motivation and skillset where truth-seeking and goodness-seeking align in mutual reliance. It is this integrated motivation and skill, which the Ancient Greeks considered as improving and gaining traction in the world through co-evolution with the self-knowledge it stimulates each time it drives and guides people in the unique situational challenges they face; more fully, these co-developments were conceived as integral to the life-long process whereby people strain towards happiness and flourishing (which is famously referred to in Aristotle's *Nichomachean Ethics* as *eudaimonia*, which roughly translates to one's 'good demon' (Cooper, 1975). In this ancient Greek view, while *phronesis* equates to practical wisdom itself, *praxis* is that thoughtful and reflective experimental doing through which *phronesis* perfects itself (Nielsen, 1993). Hence, for example, Aristotle's *Nichomachean Ethics* viewed both as co-evolving with the cultivation of specific virtues as the person strains towards *eudaimonia*. One further feature of this ancient Greek view is that such praxis will often self-cultivate in mutual dependence with the greatly esteemed virtue of *philotimo,* this being a term which denoted a combination of bravery and honour, and which was later to be re-emphasised strongly in Christianised views of prudent conduct, which we will discuss later as centring on brave and perhaps even self-sacrificial commitment to act upon foresight where truth and goodness demand it. Clearly, though, here we have a rich history of ethical ideas, reflection upon which may help undergird risk cultures where bravery in speaking truth to power matters.

Character growth amidst uncertainty

Linking these elements together, we can begin to regard prudence as foresight that motivates and enables the practical rationalities which people need to test and improve their characters by – sometimes bravely - facing, and muddling through, uncertainty. This uncertainty-focused view of prudence can help us more fully appreciate its relevance to risk management. Simply stated, risk management can be regarded as dependent not just upon the quality of its underlying foresight, but also upon the quality of its practical wisdom and resolve to meet the challenges posed by disruptive and highly uncertain risk environments.

This point can be explained more fully as follows. The idea that organizational life presents everyday challenges for virtuous practical reason is well understood as relating to many different forms of uncertainty that confront managers. As Nyberg (2008) argues, such challenges arise with novel and unstructured situations which rule-maker's intent on regulating employee behaviour cannot anticipate sufficiently to enable them to develop behavioural guidance. Virtues can be theorised within this context as expressions of an inner (both ethical and intellectual) compass which shapes thought and behaviour in the absence of rule-based guidance, as indeed can apply especially to disruptive and uncertain organisational risk environments. Summing up, then, promoting prudence within organisations can equate very generally to promoting motivations and skills for foresight, as a basis for a practical common sense and commitment to act that seeks ongoing cultivation of ethical character – and whose organisational crucible for all of this is risk management effort to deal with disruptive and highly uncertain organisational risk events.

True and false prudence

For purposes of theoretical simplification and framework building, we will represent the character of an organisation's risk management as reflecting the character of its underlying foresight, viewed as taking very different forms depending upon whether true or false prudence is at play. While acknowledging that true and false versions of prudence might often blend imperceptibly in the real world, we will nonetheless look to true prudence as an ethical ideal for best practice in risk management to aspire towards. The prudence literatures which we will cover (taking our lead especially from a classic (1966) text by the neo-Thomistic virtue ethicist, Joseph Pieper) represent true prudence as emerging from an ethically energised foresight, enhanced by a historical consciousness that is temporally flexible and expansive in the reach of its concerns and inquisitiveness, to seek goodness in the world. Pieper also repeatedly uses the term *'clear-sightedness'* (Pieper, 1966: p. 10) or 'clear-eyed objectivity' (Pieper, 1966: p. 20) to describe true prudence. This further implies that such foresight is also distinguished by a continual scrutiny and monitoring of self and others for possible bias – as indeed ought to be a key ongoing concern when managing risk via iterative improvements to the view of risk taken within organisations (Costa Sperb and Marshall, 2020).

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By contrast, prudence literatures such as Pieper (1966), have depicted false prudence as emerging from a foresight that is fearfully and selfishly self-protective of covetous endeavour. Placing this idea on firmer ground via its alignments to modern literatures, we will explore this further with reference to ethical and life stage conflict problems linked to narcissism (e.g. 'stagnation' as discussed by Erikson *et al.*, 1986) and to the broader dark triad pattern (e.g. Paulhus and Williams, 2002) which has today become prominent as a theoretical frame for exploring commonplace ethical deficiencies of leadership and management. Looking through these lenses, we will characterise the foresight of false prudence in terms of a constricted temporal focus on the immediate or near future.

Hence, false prudence might be deemed as pertaining very simply to risk management ineffectiveness arising via temporally constricted foresight. Furthermore, false prudence also very readily invites theorisation as risk management that is lacking in *moral imagination* (to use Patricia Werhane's (1999) widely used business ethics term), and/or as risk management whose ethical deficits threaten to impact reputation and stakeholder trust. That being so, some constriction of stakeholder-collaborative risk management beyond the boundaries of the organisation seems likely, entailing reduced inward flows of risk information and hence further informational impoverishment to compromise risk management effectiveness.

Foresight used to define risk management

A key implication of the above differentiation between true and false prudence is that each can be regarded, with reference to its distinguishing characteristics, as comprising a motivated foresight of sorts, which diverts management attention and resource towards the future. In the author's view, irrespective of which specific form foresight takes, it is always the initiating presence of at least *some* form of motivated foresight that differentiates risk management by degrees from management in general. Following this line of thought, we can begin to sketch out a theoretical framework for analysing and evaluating risk management where something which we can call *'true risk management'* arises from *'true prudence'*, and where *'false risk management'* arises from *'false prudence'.* Our underlying assumption here, that management foresight is what brings risk management into existence

and defines it relative to management in general, may be unfamiliar to readers and so it is elaborated further below. The argument provided below is one that the first author of the paper, having taught introductory risk management over fifty times, has developed and simplified over the years for purposes of helping students understand the fundamental relatedness of risk management to management in general.

Clearly, all management would fail abysmally on day one if it didn't consider risk by thinking and acting ahead with regard to what might happen in the future. In other words, management always calls upon limited resources, at least some of which will inevitably commit via implicit time preference judgments to thinking and acting beyond the exigencies of the present. So, risk management, always inherent within management to at least some extent, will always enhance management by degrees, very specifically to the extent that it elevates its concerns beyond the present moment by introducing within it some greater resolve to think with and act from foresight. This view of risk management, and our associated view of its ethical elevation via true prudence and ethical degradation via false prudence, constitutes, we think, a novel contribution to literature at the interface between risk management and virtuosity-based business ethics.

Prudence as a cardinal virtue

To expand on this basic underlying axiom for our paper, there is a further important issue of co-emergence worth specifying here. We can represent the intellectually and ethically excited foresight, or 'true prudence', not just as what brings organisational risk management into existence from general management, but also as what brings all virtuosity into worldly existence. In terms of Pieper's classic (1966) text, ably reflecting the broader neo-Thomistic and indeed older ancient Roman and Greek virtue ethics traditions, prudence is the first of the *'cardinal'* virtues, and without it, all virtuosity formed of temperance, fortitude and justice would be impossible. Within this context, it is significant that the word cardinal derives from the Latin *cardo*, meaning hinge; that is to say, prudence enjoys primacy as a virtue in recognition of how thinking and acting well in accordance with any moral scheme must always *hinge* upon some prior habituated capability for thinking and acting ahead. Notably, this simple point in itself provides very good grounds for making

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prudence a central consideration within the context of risk cultural engineering in organisations.

Taking this view of prudence as enabling not just risk management but all virtuosity, the concept becomes tantalising as a conceptual focus for promoting not just organisational risk management via risk cultural engineering but also organisational ethics via ethics cultural engineering. In effect, our theoretical perspective closes the gap between the two to create a more efficient combined focus on risk-and-ethics cultural engineering. A key intended output of the present paper, then, will be that our prudence framework delineates important options for organisational leaders, senior managers and Boards when deliberating the fundamental character of both their organisation's risk management (comprising all forward-looking management) and the ethical characteristics of their organisation that get signalled via reputation. Essentially, our argument is that a basic choice exists, whereby a particular kind of flawed risk culture can be developed via false prudence, or a better kind of risk-and-ethics culture can be developed via true prudence.

A prudence framework for risk-and-ethics culture

Taking stock, false prudence and true prudence can together supply a novel problem-solution framework where false-prudence-related ethical problems of psychology and culture are matched to true-prudence inspired solutions. We hope this proposed framework might serve to advance both academic and practitioner understandings how risk management can be developed as an ethical vocation under the influence of better conceptual frameworks which explicitly fuse the concerns of organisational risk and organisational ethics by aligning these concerns to their underlying alignment within the quest for individual virtuosity via organisational experience.

In the final analysis it is within the conceptual framework of prudence-based 'risk-and-ethics culture' that we will cast our practical recommendations. Following Marshall's (2016) recommendation that prudence should serve as a central focus for developing risk-and-ethics culture in organisations, and while recognising that risk culture has emerged to become a central focus for academic and professional guidance-issuing since the global financial crisis of 2007-2008 (Power *et al.*, 2013) this seems to be where the most opportunity exists for applying our theory in practice. Indeed, Power *et al.* (2013)

mentioned in their study of risk culture within major financial institutions that there is now a discernible corporate appetite for combining risk and ethics cultures. In our opinion, and despite the intervening nine years, however, risk culture research has still not risen to the challenge of finding general descriptors for ethical psychology and ethical culture which succinctly frame, and also help shape and improve, human engagement with risk in its ethical aspects – as indeed, we now argue, 'true prudence' can.

True prudence

Being, knowing and doing

Taking our lead from Joseph Pieper's (1966) simplifying representations of prudence and false prudence in the Christianised virtue ethics tradition of neo-Thomism, the ethical ideal of prudence can be elaborated as traversing and linking ethical domains of being, knowledge and conduct, such that prudent being, knowing and doing can each be represented separately as having particular implications for how we might create both new theory for understanding, and propose new directions for developing, the psychological and cultural prerequisites for risk management in organisations. Accordingly, central to this paper are two simplifying diagrams (figure one towards the end of this section and figure two toward the end of the next section) which will both call attention to how we view the successive prudence phases of being, knowing and doing in terms of their separate implications for risk management. In the present section, however, we provide a simple first iteration, which focuses generally on the three phases of true prudent being, knowing and doing, in order to highlight their ethically transformative implications for risk management.

To say a little more, by way of general introduction, about how Pieper's (1966) theory segments prudence in its being, knowing and doing aspects, so as to supply the basic structuring principle for both our prudence framework diagrams, prudence can be viewed as entering existence as an intellectually and ethically excited *foresight* within one's ethical character (prudent being), which continually seeks clear-sightedness of the future (prudent knowledge) to inform future-regarding ethical conduct (prudent action). Straightforwardly at issue, then, is motivation to do good which understands the necessity of obtaining relevant forward-looking information and then acting on it. This lends itself to a view of risk management that finds enhancement in the spontaneity and proactivity of its mass

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participation across organisations, which is faster and more thorough in its gathering and communication of risk information, which is more considerate of stakeholders over the longer term, and which is braver (displaying what the ancient Greeks called *philotimo*) in circumstances that call for candour in speaking truth-to-power (as can be notoriously difficult, especially where internal risk generated in higher organisational echelons is at issue). Next, then, we explore these being, knowing and doing aspects of true prudence in more detailed terms of their relevance to risk management. This time, we will look closer at Pieper's neo-Thomistic view with reference to particular qualities of mind which Thomas Aquinas first associated with prudence. We will see that these 13th century ideas are highly relevant to 21st century risk management in organisations.

The cardinality of prudence

Josef Pieper's short (1966) text on The Four Cardinal Virtues offers some important insights regarding how a person who aspires to be prudent might reflect upon the nature and significance of prudence within the broader context of reflecting on their being and/or identity, which is significant here within the context of looking to the private person to inject ethical motivation into organisational life. Concerned to explain the pre-eminence of prudence over the other cardinal virtues, Pieper (1966) explains that "…*the whole ordered structure of the Occidental Christian view of man*" (p. 3), set within Thomas Aquinas' 15th century *Summa Theologiae*, can be summed up within this sequence: being necessarily precedes truth, which, in turn, necessarily precedes goodness (Pieper, 1966: p. 4). In this vein, Pieper explains that ethical being, through which the theological virtues, especially charity, first manifest in the world, provides the starting point for all virtuosity. More fully, it is this primacy of ethical being which gives prudence its "…*nobility*" (Pieper, 1966: p. 4), which is to say: (i) its role in committing us to the pursuit of fortitude or justice, even when this brings great personal cost or risk, where otherwise a petty or cowardly hedonic calculus would prevail and (ii) its role in committing us to the pursuit of temperance, where otherwise the "…*governance of instinctual cravings*" would have free reign (Pieper, 1966: p. 6). Of course, it is at this point that the ancient Greeks may have preferred the word *philotimo*, as mentioned earlier.

From the above, we find prudence, considered as ethical being and the foundation for all virtuosity, represented as something mysterious, which is to say as an object of wonder. And yet the ethical burdens it brings simultaneously may render it terrifying, for anyone craving a simple and easy working life. In other words, it counts as what some theologians such as Rudolf Otto (1923) called a *'mysterium tremendum et fascinans'*; that is, an idea whose earnest contemplation elicits both trembling and fascination. This point about wonderment also warrants further clarification with reference to the central concern of virtue epistemology literature (Crisp, 2010) which is with the epistemological problem of seeking assurance, via self-reflection, that ethical character is developing through experience and interaction with the world (that being the central concern of virtue ethics literature more generally, as explained earlier). Prudence can be regarded as offering value, then, as providing ideation for this wonderment to help support people as they undertake their ethical identity work in organisations.

True prudence as mindfulness

Drawing on contemporary mindfulness literature, this section further explores the prudent person's part-intellectual, part-ethical faculty which Pieper repeatedly (1966: p.13-p.16) calls "…*clear-sightedness*" (p. 10) or "…*clear-eyed objectivity*" (p. 20), to consider how this concept might be used for cultivating risk management professionalism. To root the idea of prudence as mindfulness within virtue ethics literature, it is notable that McEvilley (2006) represents mindfulness as underling ancient understandings of *phronesis,* and as the most useful way to interpret *phronesis* today. This makes sense when we conceive of prudence-as-mindfulness as the practice of focusing mental effort on what truly matters, further viewing this as necessary within the context of honing practical wisdom through praxis to meet unique situational challenges.

Recent years have seen an enormous growth of academic literature and management consultancy dealing with mindfulness (Good *et al.*, 2016). The concept is often linked to meditative self-awareness and self-governance (Lush *et al.*, 2016). Advocacy of such meditation within organizational settings usually entails asking people to make provision for quiet contemplation removed from the hustle and bustle of daily organizational life. This draws attention to the advantages of giving the private person space

to reflect upon what is happening within and around them in their daily working lives. In particular, we may say this offers value within the context of creating private thought spaces within organisational life, where virtuosity can activate and generate proactive risk management behaviours.

These linked themes of mindfulness and meditative contemplation within management literature are reflected in the practices of high reliability organisations (HROs) in particular, especially those intended to provide relentless vigilance against unexpected risk events in the making (Weick and Sutcliffe, 2001; Weick and Putnam, 2006). Prudence, and hence risk professionalism, based on the HRO model, then, can be theorised very simply as follows: first, continual risk vigilance is required; secondly, this must be followed up by thorough error reporting and by giving strong responses to any signals that are non-routine and which might presage threat. Notably, this theoretical focus for risk culture aligns well with Ashby's (2022) highly practical advice on building risk cultures for operational risk management, which calls attention to the simplicity and importance of focusing on quantity of reporting (errors, health and safety incidents, near misses, etc.) when quantifying risk culture.

Well in keeping with how this brief summary of HRO theory links mindfulness, meditation and enhanced awareness of the world around us, it is notable that Pieper repeatedly stressed the value of silence in his classic discussion of prudence. "*Only he who is silent can hear*" says one passage (Pieper, 1966: p. 20). Another exclaims that "*(prudence) holds within itself the humility of silent, that is to say, of unbiased perception*" (Pieper, 1966: p. 22). In separate passages explaining the value of silence in guiding perception (Pieper, 1966: p. 14-16), Pieper turns attention to three qualities of the prudent mind mentioned within the *Summa Theologiae*, which he presents as requiring silence to operate. These are:

I. *Memoria*, that is clear and true memory, which we falsify all too easily;

II. *Docilitas*, in order words an openness to thinking with others, such that thought becomes a collaborative social process and we can help each other discern our mental frailties;

III. *Solertia* which represents an ability to retain clear-sightedness when there is a need to act swiftly and under pressure.

Despite their 13th century origins (Aquinas lived in the 13th Century and his *Summa Theologica* was published two centuries later), the above three qualities of mind seem to possess timeless relevance for anyone striving to improve organizational risk identification and assessment. Such activities certainly require *memoria*. The need to improve foresight through detailed consideration of hindsight, and in particular through humility and acceptance of past failures (and indeed past failures of hindsight), is a widely accepted principle of risk management (Toft and Reynolds, 1997). *Docilitas* is clearly important too. When risk management becomes a social process, its aggregations of individual judgments using various techniques are known to be highly problematic (Chapman, 1998), and yet considerable evidence exists for valuing what is called "…*swarm theory*" or "…*the wisdom of crowds*" as a basis for estimating risk (Hampton, 2015: p. 253). *Solertia* has particular implications for how risk is handled within decision-making under high pressure. Contemporary risk psychology is interested in how framing biases such as our tendency to overestimate opportunity when we perceive loss, and to underestimate opportunity when we perceive threat (Mittal and Ross, 1998) compromise what Thomas Aquinas called *solertia* and lead to poor risk handling within decisions. Furthermore, psychoanalysts of organizations consider how individuals, and sometimes entire workforces, 'regress' under crisis, and engage in various harmful ego-defensive activities such as selectively falsifying memory to reduce anxiety (Kernberg, 1978). This helps us to further appreciate that *solertia* and *memoria,* being mutually supportive, are both indispensable within risk management practice and may potentially serve as useful focal points for mindfulness within risk management professionalism. Surely, therefore, Aquinas' three terms, or at least modern equivalents of them, warrant consideration as viable organising themes, subtended under the general heading of prudence, within risk culture prescriptions.

In summary, then, these qualities of mind can all be viewed as important ingredients of risk professionalism within any type of organization, recognising in particular the challenges of disruptive risk experience. For Pieper, they all pertain either to the past that may be painful or inconvenient to contemplate, or to challenges that are real and current, yet there is also a fourth, called *providentia*, (Pieper, 1966: p. 17) entailing ability to think ahead to possible future consequences of present actions. Clearly, this equates to skill in

truth and goodness-seeking applied to future possibility; we might further elaborate it as skill in risk identification and assessment, to underscore its relevance to risk culture.

A compelling line of argument for promoting prudence within risk culture, and within views of what it means to be a risk professional, arises with this view of *providentia* as a fundamental quality of mind that is often too weak to grasp future possibility, yet nonetheless susceptible to careful cultivation when it becomes a focal point for mindfulness. This argument might emphasise that organizations are typically not as adept at anticipating risk as they often suppose. By nurturing *providentia* in simple practical ways, such as giving it as much resource as it requires (for example, calm reflective meeting time or meditative space), and by utilising as many procedures such as risk identification workshops and scenario exercises as are helpful to it, it might readily be argued that it can sharpen. However, summing up, this argument strengthens when it is considered that all such facilitation of *providentia* is more likely to succeed where *providentia* has itself become a focal point for mindfulness, and indeed for professional self-authoring via ethical identity work in organisations.

Taking stock of the above basic concepts, Figure 1 (below) now links true prudent being, knowing and doing together, in terms of their implications for risk management, within a simple first iteration of our prudence framework.

Figure 1: The relationship between true prudent being, knowing and doing
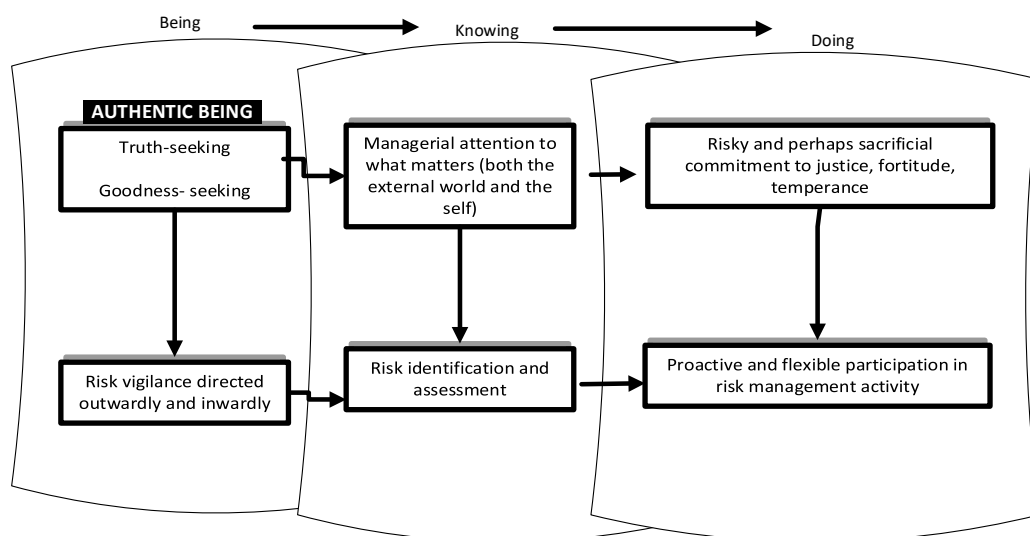
Clearly, this is greatly simplified view both of prudence and of risk management. The point has been, very generally speaking, to crystallise the basic concepts that aspiring risk professionals in organisations need to give ideation for their risk and ethics experiences. Next we turn to what we earlier called the tussle between true and false prudence. Our purpose will be to improve our prudence framework in such a way that it can support risk professionals to take a more realistic and psychologically enlightened view of their risk and ethics experiences in organisations, one that is attuned to the difficulties of striving after true prudence without succumbing to false prudence.

True and false versions of prudence

False prudence

False prudence has been commented on by notable figures throughout the history of moral philosophy that dates back to ancient Greece. Edmund Burke (1796/1999) famously said "*There is a courageous wisdom; there is also a false reptile prudence, the result not of caution but of fear*" (p. 11). This notion of fearfulness and in particular a 'reptilian' fearfulness which adds the connotation of dumb spontaneous visceral response to fear, is a useful starting point for considering what false prudence comprises. *The Four Cardinal Virtues* by Pieper (1966) accords prudence the special role of vigilance against the false prudence said to arise through 'covetousness'. Pieper's understanding of covetousness comprises an excessive love of riches, as one might expect. However, by setting this within the context of a much broader psychological pattern, it brings into view more weaknesses of character. Pieper's definition of covetousness is "*…an anxious senility, a desperate self-preservation, over-riding concern for confirmation and security*" (Pieper, 1966: p. 21). Management psychologists may recognise the above pattern immediately as narcissism, which the next section will now associate more broadly with the *dark triad* which aligns narcissism to Machiavellianism and psychopathy.

False prudence as the dark triad

The basic features of narcissism which relate to Pieper's above definition of false prudence are as follows. Firstly, narcissists are known to be power hungry (Rosenthal and Pittinsky,

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2006). They regard power attainment as a zero-sum game; that is, they have a paranoid world-as-a-jungle view of human nature (Mann, 2006) making them fear that if they do not accumulate power, then others will. They believe these others will then wield that power unfavourably over them. They also fear the loss of power that comes with age (Lasch, 1979: p. 207-209). Yet this fear of ageing has another source almost universally emphasised within narcissism literature: their intense desire to be respected and admired, and the intense anxiety and anger they feel when they perceive this to be lacking or waning. This is an extremely important factor because it underlies the narcissist's signature preoccupation with wealth, status and prestige.

This factor also underlies the narcissist's need to relate to others in ways that allow them to protect their fragile self-esteem systems. As Miller et al. (2011) explain, some try to achieve this through vulnerability, where they finely tune their emotional sensitivity to others. Others use strategies of grandiosity and charisma. These strategies may have positive consequences, for example, they permit some narcissists to be admired as strong and reassuring crisis leaders. However, these same strategies can also lead to managerial bullying (Harvey *et al.*, 2007), particularly where dissent against a narcissistic leader, by testing their power and denting their self- esteem, provokes narcissistic rage.

The above points alert us to the seeds of recklessness in narcissism. First of all, we can discern within narcissism a hubris whereby managers strain overoptimistically towards individual ambitions which deviate from the best interests of their organizations (Barnard, 2008). More subtly, we can also discern from their inflated yet vulnerable self-importance, and from their fear that they may one day lose their powers, that an unusual sense of urgency, which Pieper (1966; p. 21) memorably calls an 'anxious senility', may often gird them to pursue these ambitions.

To link this pattern to reckless risk-taking, the *dark triad* needs to be considered more generally. The 'dark triad' cluster (Paulhus and Williams, 2002), comprises broad overlap between patterns labelled narcissistic (Braun et al. 2016), psychopathic (Boddy, 2015) and Machiavellian (Den Hartog and Belschak, 2012). Marshall et al. (2015) have theorised this as supplying a better and more broadly explanatory psycho-cultural base than the currently popular corporate psychopathy construct, for understanding ethical failure within organizations. In particular, Marshall *et al*. (2013) has already argued that cultivating

employee prudence can be a foil to these rogue psycho-cultural patterns. Much of the present section is inspired to improve its prudence framework, based on their arguments for cultural engineering, emphasising prudence, to tackle dark triad problems.

Of course, personalities are complex and changeable, but the research finding that these three dark triad constituents very often cluster together has proven robust for over thirty years now. Furthermore, a characteristic of literatures dealing with each of the three dark triad constructs has been to argue that they are on the rise within the modern world and within modern organizations. For example, this is illustrated powerfully by Babiak and Hare's (2007) character-portrait-based study explaining that the breakdown of fixed role structures amidst the organisation wars of the 1970s created possibilities for personal empire building which today allow corporate psychopaths to thrive – not least because they find that their loose social bonds to others are adaptive for ever larger and more fluid organisations. Following in the tradition of Lasch's famous (1979) study, Twenge and Campbell (2009) argue that we increasingly live in an age of narcissistic entitlement, not least due to changing childhood experiences whereby children are both increasingly made to feel 'special' by what are often called 'helicopter parents', and because childhood conflicts resulting from the opposite extremities of neglect are also becoming more commonplace. Similarly, Christie and Geis' classic (1970) assemblage of new psychometric research on interpersonal Machiavellianism linked that interpersonal manipulative type to the metropolitan individualism of city as opposed to rural living, reflecting, as mentioned above in relation to psychopaths in large and complex organisations, the phenomenon whereby those who lack enduring psychological bonds to others often find this is adaptive for fast-changing and relatively anonymous life circumstances.

Research in these three linked traditions, then, shows us how we may change via our experiences of urbanisation, social complexity, and increasingly rapid social change. As such experiences reorient us to new people within new social environments, with ever greater frequency, this may deteriorate prospects for cultivating relationships of perceived moral obligation over time. This theoretical impression of how we and our worlds are changing can only bolster the present argument that the dark triad might serve as a useful focal point for understanding unprofessional conduct in its reckless risk-taking aspect - as indeed might well be captured under the risk-and-ethics culture focus heading of *false prudence*, for

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purposes of supporting people in organisations to improve their risk-and-ethics related identity work.

Machiavellianism can be understood to contribute to this pattern in a very simple way. Machiavellians are people who score highly on the various 'Mach' scales which have been produced and used widely since the 1960s (Christie and Geis, 1970). Essentially what they have in common is that they take pleasure in and seek opportunities for interpersonal manipulation. Some Machiavellians are not very good at this, but others are because in interpersonal situations they do not experience those spontaneous feelings of empathy for others which in most people prohibit manipulation (Spain *et al*., 2014). Notably, Pieper's (1966) discussion of Thomas' view of false prudence claims that the 'most characteristic form' of false prudence is in fact not covetousness but *astutia*, which is the defining attribute of "…*the intriguer who has regard only for tactics" who can neither face things squarely nor act straightforwardly*" (Pieper, 1966: pp. 19-20). Such individuals, Josef Pieper continues, are far less concerned with the truth of things than they are with opportunities for manipulation; hence they cannot participate fully in achieving clear-sightedness in concert with others. It is interesting to consider, then, that there are plausible grounds for believing that this modern personality pattern was already well known to Thomas Aquinas in the 13th century.

Psychopathy, which is widely studied within business ethics literature in its corporate psychopathy aspect, adds to the dark triad pattern through its central concern with lack of empathy. Lack of concern for rules and accountability is also prominent in the associated corporate psychopathy literature (Clarke, 2009). So too are the patterns of power hunger, charisma and bullying commonly linked to narcissism (Twenge and Campbell 2009; Kjaervik and Bushman, 2021). Clearly, then, psychopathy contributes alongside other dark triad constituents to paint a rich and distinctive psychological portrait of unprofessional conduct.

False prudence as recklessness

Moreover, assembling these elements together, a simple profile of the reckless risk-taker emerges. Self-seeking ambition, perhaps pursued with an odd sense of urgency and fear, may often be accompanied by a lack of empathy for those who may be negatively affected. Rules may be bent or remorselessly broken to serve such ambition. Charisma and/or

bullying may be used to ensure that any rogue practices go concealed for a long time. This pattern, arguably, is something professionals within many different types of organization can usefully be encouraged to be vigilant towards. In simple summary terms that might actually be used within a risk-and-ethics culture prescription, the governance of true prudence needs to be encouraged to protect against the visceral, self-obsessed and ethically decayed governance of false prudence.

Such recklessness can be further theorised using studies of sensation-seeking and edgework, which consider how employees sometimes crave the life-affirming exhilaration (or rush of brain opiates) that comes with pushing beyond the boundaries of what is permissible in organizations and taking on illicit risk. One such study of stock traders indicates that this might involve the thrill of remaining in control in high-risk situations (Smith, 2005). Another view is that such situations might induce states of life-affirming hyper-reality (Lyng and Matthews, 2007). These possibilities give useful context for understanding a further study by Ruedy *et al*. (2013) highlighting the 'cheater's high' in dishonest gambling experiments, which warns that this is likely to be a powerful motivator for illicit organizational risk-taking. Such patterns might commonly cluster with false prudence as described above. For example, the dark triad managers' gratification in getting away with interpersonal manipulation, and indeed their much more deeply inhumane envy and pleasure in humiliation, seem likely to intensify cheaters highs. Hence this theoretical perspective on recklessness surely deserves a place within how we view false prudence through the lens of the contemporary dark triad.

False prudence as failure to achieve generativity
Lastly, in order to augment figure one, we consider true *prudence versus false prudence* in terms of the *presence versus absence of generative values*. Some general context for understanding what generative values are and why they may matter within organisations is as follows.

Virtues, as argued by Audi (2012), are of interest to business ethicists insofar as they can grant capability and motivation to do good, as indeed can be said of true prudence, when considered as a state of ethical being. Yet it is arguable that contemporary corporate culture has normalised 'self-interest', as indeed this section will associate to false prudence,

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to the extent that virtuosity is now culturally out of season (Miller, 1999). Indeed, there is some evidence suggesting virtues can be lost from corporate culture in the absence of institutional reinforcement (Moore, 2005a, 2005b; Wells and Graafland, 2012). However, as a basis for exploring individual-level rather than cultural engineering drivers for workplace virtuosity, we can turn to many high-profile instances of active virtuosity within the business world which have been documented, and which will serve here to help us understand true prudence as a source of ethical motivation. Several Chief Executive Officers (CEOs) have made ethical reversals towards more sustainable business goals under circumstances where they have reflected upon the ultimate aims of their business in the light of 'generative values' that centre upon concerns for how their actions may affect future generations (Anderson, 1998; Chouinard, 2006; Little, 2006).

The present paper will now incorporate generativity within its improved prudence framework, by using generativity to better understand the motivations that underlie true prudence. Notably, Josef Pieper's (1966) text devotes a chapter (pp.32-40) to the relationship between prudence and feelings of charitableness. Following Thomas Aquinas, he contends that, just as prudence moulds the virtues, charity moulds prudence (Pieper 1966: p. 37). Thinking in this broad vein, this section will argue that the experience of care underlying prudence can usefully be theorised using the concept of 'generativity' that is associated with Erik Erikson's psychosocial development theory in particular.

Moving from middle age to older adulthood, Erikson *et al*. (1986) argue, personality strains to achieve a post-narcissistic wholeness, called *integrity* (more fully, *ego integrity*). Notably, this psychosocial conflict stage resonates well with our earlier stated problem-solution framework which links false prudence to narcissism and takes true prudence as its remedy. *Ego integrity*, then, is characterised by acceptance and appreciation of who the person has become and how they have carved their niche in the world. Such acceptance is said to protect against despair. *Integrity versus Despair* is considered the last of the major life stage conflicts which people tend to experience in their professional lives and therefore it has great relevance to how we understand any form of organisational professionalism in its psychological aspects.

For integrity to achieve victory over *despair*, Erik Erikson's theory runs, the person must first successfully negotiate a prior life stage conflict where the emotional experience of

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care arises through the victory of *generativity* over *stagnation* (Bradley and Marcia, 1998). This is said to happen between the ages of around 40 and 65 years. Generativity, the source of care, is sometimes considered synonymous with parenting. However, within organisational contexts it is perhaps best understood as mentoring future generations of employees and building sustainability in the interests of future generations. Without this, Erikson *et al*. (1986) argued, the slide towards stagnation is likely to entail narcissistic self-absorption (as per the unprofessional conduct linked to false prudence which we considered earlier). This narcissistic self-absorption can be theorised as sometimes entailing that frenetic rush towards reckless risk-taking which this paper has linked to what Pieper memorably called the 'anxious senility' of false prudence. Perhaps more often, however, it will entail throttling back into an easy and comfortable professional working life which is disinterested in challenge and sacrifice, and is unlikely to be proactively vigilant towards risk, or towards false prudence in others.

Finally, then, Erikson's life stage theory, building on what we said earlier concerning narcissism and the dark triad, may be said to influence our comparative understanding of prudence and false prudence in terms of their implications for risk management as follows:

Figure 2: Comparative understanding of prudence and false prudence
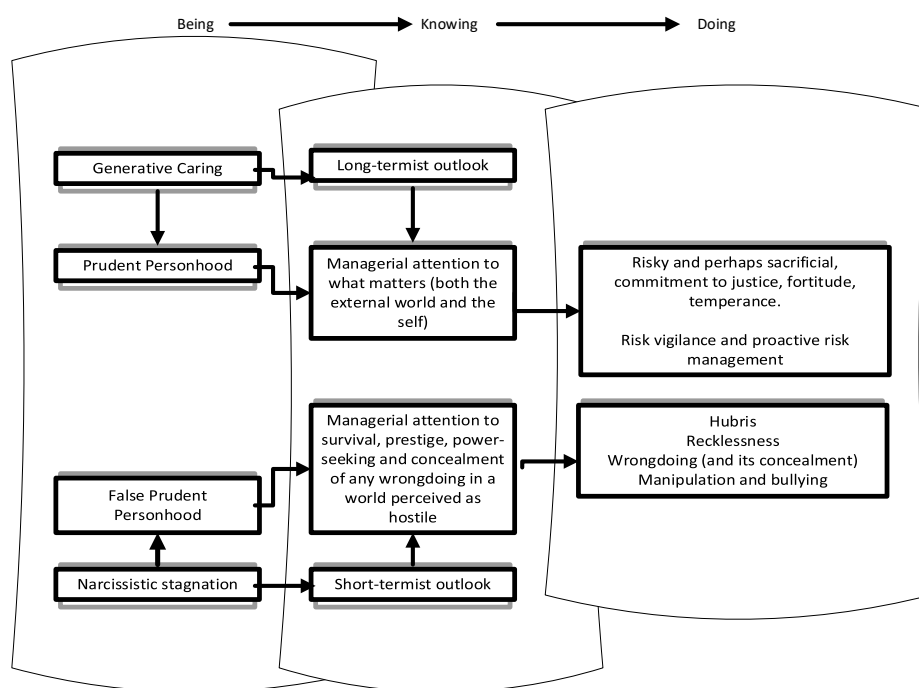
To conclude this section, it may be emphasised that generativity offers us a powerful lens through which to understand true prudence. It supports professional integrity, is protective against despair, and arguably has powerful implications for professional self-authoring in organisations, all of which entails that promoting prudence in organisations might usefully emphasise generativity as both a value and a goal. By the same token, we have seen that narcissism and the dark triad provide a powerful lens for understanding false prudence, and that ongoing tussle between true and false prudence in organisations, for command of the basic character of the organisation's risk management, might very usefully be theorised in psychologically reductionist terms with reference to Erikson's theory.

Conclusion

Levy *et al*. (2010) neatly summarise the contemporary risk culture agenda. They consider that risk cultures can precipitate organizational failure when they are weak in "…*acknowledgement of risk, risk transparency, responsiveness to risk and respect for risk*" (p. 5). Notably, the preceding discussion of prudence directly addresses all four areas of concern, begging the question, one might say with a certain creative licence, was Thomas Aquinas the greatest and most psychologically astute risk culture theorist, a full 800 years before risk culture theory? Cultivating prudence means cultivating an ethically concerned clear-sightedness (or mindfulness) that can be directed both towards self and others, so that risk can be *acknowledged* more effectively. It entails an ethically concerned proactive communicativity so that risk *transparency* can be improved, and proactive participation in management, so that risk *responsiveness* can be faster and more effective. It also entails an ethically concerned vigilance against false prudence, so that *respect* for risk can be upheld.

How can prudence be promoted in these aspects? First and foremost, organizations should recognise and reward prudence displayed by professionals. Let's take the case of a Chief Risk Officer (CRO) who is dreading her Monday morning meeting with the Senior Management Team (SMT) because she knows she must deliver painful news about the firm's risk-adjusted financial position and suggest appropriate ways forward. Figure one (provided earlier) gives criteria by which the Senior Management Team might admire her prudence. She can demonstrate 'prudent being' by clarifying that she has been proactively

exploring the risk issues, along with possible solutions, for some time – and by creating the impression that she has done so with authentic ethical concern. She can demonstrate 'prudent knowing' via display of a professional attitude to risk where she presents decision-relevant risk information with full candour, holding nothing back, reflecting on any relevant psychological and cultural biases, and without manipulating the information so as to improve how the SMT might respond to her. She can demonstrate prudent 'doing' by talking the SMT through possible solutions that do not simply give performative expression to the firm's risk control conventions and instead show that she has been thinking ahead with moral imagination toward novel and innovative solutions. Figure two further helps us to appreciate how the SMT might discern 'true' prudence within this CRO. Perhaps she will also express authentic stakeholder care, for example by calling attention to moral obligations upon the firm that now arise with its deteriorated financial situation, and by offering an analysis of these which looks ahead to what the firm might now do to protect and further cultivate long term stakeholder trust.

Of course, the question of why the SMT should apply the interpretive lens of prudence at all, arises here. Some might argue that if the CRO creates a very positive impression in all of the above respects, then the SMT might simply evaluate her as exhibiting a very high standard of professional attitude for risk management. So, what does the additional interpretive layer of virtue ethics verbiage bring to the table? On the one hand, it is certainly not required for the SMT to be able to recognise, admire and reward the individual qualities which the CRO displays at her Monday morning meeting. What prudence can be regarded as adding, nonetheless, is the holistic ethical understanding which arises with its use as an interpretive framework. Specifically, its tripartite being-knowing-doing structure can allow professionalism in risk management to achieve a correspondingly structured awareness: firstly, of its own ethical nature founded upon ethical character which thinks ahead with an authentic concern for the future; secondly, of how that character and concern can manifest via knowledge production; and thirdly, of how such ethically motivated knowledge production further necessitates action directed toward good (and where relevant, long term) outcomes. The interpretive lens of prudence, in other words, allows personal or organisational handling of conceivably any given risk issue to be scrutinised for whether or not, or to what extent, there is logical coherence across all three

phases. A particular point of virtue epistemology also becomes important here: when people can reflect upon self or others by thus discerning prudence within their risk management practices of knowledge production and implementation, this may give them some confidence that their work experiences are providing a crucible for their character growth.

Three further very closely interrelated issues arise with this idea. Firstly, the CRO's display of prudence at her Monday Morning SMT meeting, when recognised holistically as virtuosity of character, might be rewarded by the SMT as illustrating how to set an appropriate tone for the risk culture – especially should they wish to promote a combined risk-and-ethics culture. The Institute of Risk Management's (2012) 'ABC Model' of risk culture (as widely promoted by both risk management and project management professional associations) theorises individual risk attitude 'A' as leading to individual risk behaviour 'B', which then contributes to setting the tone for the group culture 'C'. The interpretive lens of prudence can help, here, by allowing the SMT, the CRO and everyone else within the firm who is affected by the meeting, to reflect very positively upon how a generative, forward-looking ethical concern can be at play within the 'A', conditioning the 'B' to seek good long-term outcomes, and thereby establishing the C on an ethical footing such that it becomes a combined risk-and-ethics culture. Secondly, all parties might also further discern that this forward-looking ethical concern is construable as precisely what reconstitutes any management activity as a risk management activity; in other words, it is precisely what must be promoted, evidenced and rewarded if risk management is to be considered deeply embedded within all management as an ethical practice. Thirdly, recognising this, not just risk professionals but conceivably any management professionals in organisations may find the prudence framework outlined in this paper particularly helpful as a basis for ethical self-authoring. It can be valued as supplying ideation, in other words, for how people find meaning and purpose within the workplace. We think these possibilities require much future study, focused on the potential which the lexicon of prudence and related terms offers as an ideational focus for stimulating professional conduct in its closely interrelated risk and ethics related aspects within organisations.

In the final analysis, however, we think that prospects for generativity-focused risk-and-ethics cultural prescriptions based on true prudence are greatest when linked to

contemporary sustainability and more broadly ESG agendas. Despite much evidence revealing culture as an influential driver for organisational behaviours, (Tsui *et al.*, 2007), there has been very little research into its impact on corporate value via the environmental, sustainability and governance mix in corporations. An exception is Linnenluecke and Griffiths (2010), who speculate on how cultural values may influence corporate sustainability in general, but without providing evidence. Hence, there is certainly a knowledge gap here, which research based on our proposed prudence framework may help fill. Hence, based on expectancy-value theory (Chipulu *et al.,* 2018), it is possible that promoting prudence, where generativity-focused prudence in particular provides the conceptual basis for risk-and-ethics culture, might produce superior sustainability and broader ESG outcomes in corporations when compared with alternative cultural engineering approaches. More action research on potential for uptake of prudence, bolstered by empirical research into the relative merits of competing approaches, certainly seems warranted as a means to further push corporate sustainability and broader ESG agendas.

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