INTERNATIONAL JOURNAL OF MANAGEMENT, BUSINESS, AND ADMINISTRATION
VOLUME 13, NUMBER 1, 2010

The Power of Intuition: How to Use Your Gut Feelings to Make Better Managerial Decisions

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ABSTRACT

Management researchers continue to carry on a vigorous debate regarding how executives should make decisions. On the one hand, there are those who believe that decision making should be accomplished by using a systematic, step-by-step rational approach. On the other hand, there are those who believe that the very nature of managerial work makes this difficult to achieve in actual practice. In this article, I examine the power of intuition in making decisions in the workplace.

If you think about how decisions are made, undoubtedly you will realize that some, but not all, decisions are made following a systematic, step-by-step rational approach. Administrative decision making is assumed to be rational. By this we mean that managers make decisions under certainty: The problem is clear and unambiguous; a single, well-defined goal is to be achieved; all alternatives and consequences are known; preferences are clear; preferences are constant and stable; no time or cost constraints exist; and the final choice will maximize economic payoff.

The rational and administrative explanations of decision making are appealing, because there is some logic and system associated with each of these steps. However, rational decision making assumes that decision makers have a tremendous mental capacity both for remembering and storing huge quantities of information and for processing that information in order to choose the optimum solution to each decision problem. Although administrative decision making can follow rational assumptions, most decisions that managers face don't meet all of the criteria of complete rationality: problem clarity, goal orientation, known options, clear preferences, constant preferences, no time or cost constraints, and maximization.

Frequently, managers are not aware that problems exist. Even when they are, they do not systematically search for all possible alternative solutions. They are limited by time constraints, cost, and the ability to process information. So they generate a partial list of alternative solutions to the problem based on their experience, advice from others, and intuition. Rationality is, therefore, limited.

Intuition

Throughout most of the twentieth century, social scientists believed that administrators' use of intuition was ineffective. That is no longer the case. There is growing evidence that administrators use their intuition to make decisions (Heidegger, 2011; Ruelas, 2011). Henry Mintzberg (1998), in his study of the nature of managerial work, found that in many instances executives do not appear to use a rational systematic, step-by-step approach to decision making. Rather, Mintzberg argued that executives make decisions based on "hunches."

Gary Klein (2005), a renowned cognitive psychologist, writes in his book *The Power of Intuition*, that skilled decision makers rely on deeply held patterns of learned experience in making quick and efficient decisions. According to Klein, these deeply held patterns of learned experience (templates) represent tacit knowledge that has been implicitly acquired over time. When a template fits or does not fit the current situation, emotions are produced that motivate us to act.

For experts who possess high levels of tacit knowledge, many decisions they face are routine or programmed decisions. For them these decisions become somewhat automatic, because their knowledge allows them to recognize and identify a situation and the course of action that needs to be taken. That is not to say that the decisions are necessarily easy. It simply means that their experience and knowledge allows them to see the problems more easily and recognize and implement solutions more quickly. In short, effective intuition results when people have a certain amount of tacit knowledge.

Malcolm Gladwell (2005) writes in his bestselling book, *Blink: The Power of Thinking without Thinking*, that decisions made very quickly can be every bit as good as decisions made cautiously. With those words, Gladwell summarizes his book's premise on decision making. He begins the book with the story of a rare, ancient, Greek statue which was under consideration for purchase by the J. Paul Getty Museum in California. All precautionary steps were taken to assure the statue's authenticity. Documents seemed to be in order. Numerous, detailed analyses had been performed by a geologist to confirm the statue's authenticity. After purchasing the statue and publicizing its purchase, the museum began to show it to various art experts. Numerous experts told the museum that there was something wrong with the piece. None of the experts could articulate exactly why they knew it was a fraud. They just knew. These experts were able to come to a conclusion simply based on a quick first impression. The experts turned out to be right. The statue was uncovered to be a fake.

Gladwell goes on to describe numerous experts (doctors, salespeople, marriage experts) who had the ability to take a quick look at a situation (what Gladwell referred to as "thin-slicing") and make judgments and decisions on the basis of what appeared to be limited information. He goes on to say that most of us do not always possess that kind of expertise for the decisions we must make. Halfway through the book, Gladwell switches gears and describes numerous examples in which quick decisions turn out to be ineffective. He goes on to say that most of our first impressions are wrong. This shift in thinking gives the book a duality and a realistic assessment of decision making. On the one hand, some people have the ability to make quick accurate decisions. On the other hand, many others do not have that ability.

However, the latter is clearly true for some people. Gladwell makes the point that those who have the ability to make immediate and accurate decisions based on "gut feelings" or "hunches" are *experts* on the topic in question. These experts have spent years developing knowledge and skill through practice, repetition, and experience. To the nonexpert, it seems as though these decisions are "snap judgments" or merely "hunches," but in reality, the processing time in gathering pertinent information for these experts has become so automatized that it only seems that way. These experts bring a great deal of explicit and tacit knowledge to the specific situation. Gladwell notes further that frequently these experts cannot verbalize exactly why they make the decisions they do. Chester Barnard (1938), one of the early influential management researchers, agrees that intuition's main attributes were speed and the inability of the decision maker to determine how the decision was made. Other researchers argue that intuition occurs at an unconscious level, and this is why the decision maker cannot verbalize how the decision was made (Rowan, 1986).

Lee Iacocca (1999), who saved Chrysler from bankruptcy in the 1980s and brought it to profitability, writes in his autobiography: *Iacocca: An Autobiography* "To a certain extent, I've always operated by gut feelings." Other researchers have found that intuition was used extensively as a mechanism to evaluate decisions made more rationally (Ehrgott, 2011; Mendel, 2011; Zopounidis, 2011).

Intuition has been described variously as follows:

- The ability to know when a problem or opportunity exists and to select the best course of action without conscious reasoning (Behling & Eckel, 1991)
- The smooth automatic performance of deeply held patterns of learned experience (Isenberg, 1984)
- A nonconscious process created from distilled experience (Gilovich, Griffin, & Kahneman, 2002)
- The ability to know or recognize quickly and readily the possibilities of a given situation (Agor, 1989)
- Emotionally charged judgments that arise through quick, nonconscious, and holistic associations (Dane & Pratt, 2007)
- Reliance on mental models – internal representations of the external environment that allow us to anticipate future events from current observations (Klein, 2005)

These definitions share several common assumptions. First, there seems to be an indication that intuition is quick. Second, intuition is an automatic unconscious analytic process. Third, there seems to be agreement that intuition is based on experience and usually engages emotions. Fourth, intuition offers potential for creativity and innovation.

Conclusion

Management researchers continue to carry on a vigorous debate regarding how executives should make decisions (Mintzberg, 2012). On the one hand, there are those who believe that decision making should be accomplished by using a systematic, step-by-step rational approach (identify the problem, generate alternatives, evaluate alternatives, choose an alternative, implement the decision, and evaluate the decision). On the other hand, there are those who believe that the very nature of managerial work makes this difficult to achieve in actual practice. Managers work can be described as fast paced and containing a lot of variety and fragmentation, coupled with frequent interruptions. Thus, managers do not have a great deal of time alone to think, plan, or make decisions systematically. Instead they generate a partial list of alternative solutions to the problem based on their experience.

For experts who possess high levels of explicit and tacit knowledge, many decisions they face become routine or programmed decisions. Their experience and knowledge allows them to see the problems more easily and recognize and implement solutions more quickly. The fact that experience contributes to intuition means that managers can learn to become more intuitive in solving many difficult problems. Furthermore, intuition does not necessarily operate in opposition to rational decision making. Rather, the two can complement each other. Managers should attempt to use both when making decisions. For example, rational decision making can be used to verify intuition.

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