

Managerial decision making – importance of intuition in the rational process

Manažerské rozhodování: význam intuice v racionálním procesu

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Abstract: The article contributes to the debate over the use of intuition in the managerial decision making. A brief overview of the debate is further elaborated with the comparison of findings brought about by two surveys conducted in the field settings. The comparison shows some similarities – for instance, the number of respondents admitting their reliance on intuition in decision making, but also some major differences.

Key words: decision making, intuition, survey, comparison

Abstrakt: Článek je příspěvkem do diskuse na téma využívání intuice v manažerském rozhodování. Krátký přehled současné diskuse je dále rozvinut porovnáním výsledků dvou výzkumů realizovaných v podmínkách konkrétních organizací. Porovnání přináší některé obdobné výsledky – např. množství respondentů, kteří považují intuici za konečný faktor ovlivňující jejich rozhodování, ale také významné rozdíly.

Klíčová slova: rozhodování, intuice, výzkum, srovnání

Decision making has long been regarded as a cognitive process resulting in the selection of a course of action among several alternatives. Especially in the business environment, the decision making has been based on rational analysis: the collected information is collated, analyzed and interpreted and then alternatives can be formulated. Logical choice of the best option is consciously arrived at. The complexity of decision making has, however, increased considerably with the speed of communication and the lower stability and predictability of the environment. (Tomšík and Svoboda 2010) The time available to examine data and relationships has been reducing. Moreover, the information needed for the analysis prior to decision making is often unavailable and/or the required analyses are not feasible. Managers face a growing dissatisfaction with the established decision making processes. With a growing rate of the unprecedented change in the environment, intuition is becoming an important part in the decision making process (Salas et al. 2010). Therefore, while rational analysis is still a

norm in the decision making processes in businesses, the roles of tacit knowledge and intuition has been recently getting more attention in the management literature with regard to the intuitive decision making (e.g. Klienmutz 1990; Brockman and Anthony 1998; Elbanna 2006). This fact reflects the situation when the post modernity (eroding the traditional belief in the power of rational scientific reasoning) is increasingly discussed in the management disciplines. These debates challenge the adequacy of traditional practices (White and Jacques 1995) since the hard decision analysis models (representing the rationality of modernity) sometime might conflict with the managers' common sense views, incl. intuition (Goodwin 2009).

OBJECTIVES AND METHODS

This article aims at contributing to the understanding of the role of intuition in managerial decisions by:

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- reviewing the recent debate on intuitive decision making;
- describing the use of accumulated knowledge and intuition as applied by the managers in companies operating in the Czech market. This part builds on the survey carried on at the Department of Management, FEM CULS, in 2010. The primary data were collected with the use of questionnaire designed primarily as a vehicle to collect data about the process of management communication with respect to various managerial levels within the organizational hierarchy. From the data collected, only a selection is used to document the intensity of the use of intuition in the process of decision making and to illustrate the importance of the accumulated knowledge in making decisions. The questions associated with the two above mentioned aspects of decision making offered respondents four options to choose from. The results have been processed with the use of basic statistics and are presented in two diagrams below. Also, the research aimed at verifying the hypotheses about the link between the use of intuition and the seniority of management. This was done through testing the correlation between the use of intuition and the management level of a respondent.

RESULTS AND DISCUSSION

Intuitive decision making – the debate

Intuition is a highly complex and highly developed form of reasoning that is based on years of experience and learning, and on the facts, patterns, concepts, procedures and abstractions stored in the decision maker's head (Matzler et al. 2007) When and how managers use intuition varies because people can be intuitive in some situations and not in others. By experiencing a number of various situations, managers develop an internal reservoir of cumulative experience and expertise.

The intuitive decision making can be trusted only when following four tests (Campbell and Whitehead 2010):

- (1) The familiarity test – this test builds on the nature of intuition working on the pattern recognition. The appropriate familiarity is judged against major uncertainties of the decision making situation.
- (2) The feedback test – previous decisions build into the reservoir of lessons learnt and associate with the decision emotional tags. Positive emotions associated with the previous decision support further decisions.

- (3) The measured emotions test – relates to the strengths of emotions associated with the previous decisions.
- (4) The independence test – aims to avoid any conflict of personal interests.

Campbell and Whitehead (2010) argue, that a situation failing even one of these four tests calls for a stronger decision making process, usually through stronger governance, an additional experience and data, or more dialogue and challenge. The four tests also support the argument that intuition does not come from the emotion. Intuition in decision making could easily be mistrusted on the basis that it is rooted in emotion as opposed to reason. For hundreds of years, emotion has been withdrawn from the theories of decision making, reason, and management. Since the Descartes times, cognition has been considered the only legitimized source of reason and good judgement. This has also been reflected in the conventional teaching stressing the objective and rigorous procedures to justify judgement and decision making. Long-term debate over decision making in management have been developed over the role of reasoning. The formal logical procedure is supposed to bring the best solution for any problem under different circumstances. The rational theory of decision making is building on the logical procedure without distraction by any emotions, which would lead to suboptimal results. Such knowledge (objectivity knowledge) is considered to be something exact, definitive and logical (Chia and Holt 2008). Intuition, however, is not an irrational process (Woiceshyn 2009). It is based on deep understanding of the decision making situation, builds on the decision maker's ability to draw from the reservoir of knowledge (often subconscious) and past experience. Such situation is obvious in the contemporary rural development. Not only the power of rational reasoning but also intuitions and feelings are driving the development of rural areas now as pointed out in the case of new social movements in the Central and Eastern European countries involved in the "rural renaissance" (Gorlach et al. 2008).

Survey results – comparative study

Burke and Miller (1999) conducted research through semi-structured interviews with 60 professionals holding an important position in the medium-to-large organizational settings. They focused on the meaning of the term of intuition to decision makers and found out that it is most often related to experience and/or feelings (emotions). The frequency of

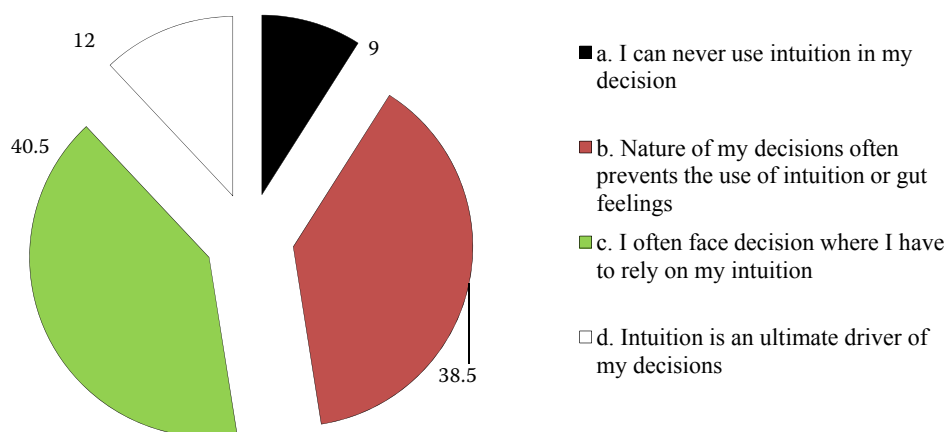


Figure 1. Intensity of use of intuition in decision making (in % of responses)

use of intuition in decision making ended up with the following breakdown: 47% of the respondents used intuition often, 30% sometimes, 12% always, 7% seldom and 3% rarely.

The research conducted in large Czech companies across various types of industries has addressed managers at the top, middle and low level of management hierarchy (41, 66 and 59 respectively).

The question aiming at the assessment of intensity with which the intuition is used in decision making, has offered the following options to respondents:

- (a) I can never use intuition in my decision
- (b) Nature of my decisions often prevents the use of intuition or gut feelings
- (c) I often face decision where I have to rely on my intuition

(d) Intuition is an ultimate driver of my decisions

The breakdown of the respondents' answers is shown in Figure 1 and it clearly highlights the importance of intuition in decision making for more than half of the respondents. The importance of intuition is growing with the lower level of management, but this dependence is not very close.

Both surveys have identified quantitatively the same group of respondents (12% in each sample) who rely heavily on their intuition and use it as the ultimate driver in their decision making. On the other hand, Czech respondents are somewhat more reluctant to appreciate the use of intuition in their decision making and it seems that they tend to use intuition in much less occasions. The respondents surveyed by Burke and Miller all admitted the use of intuition, only the

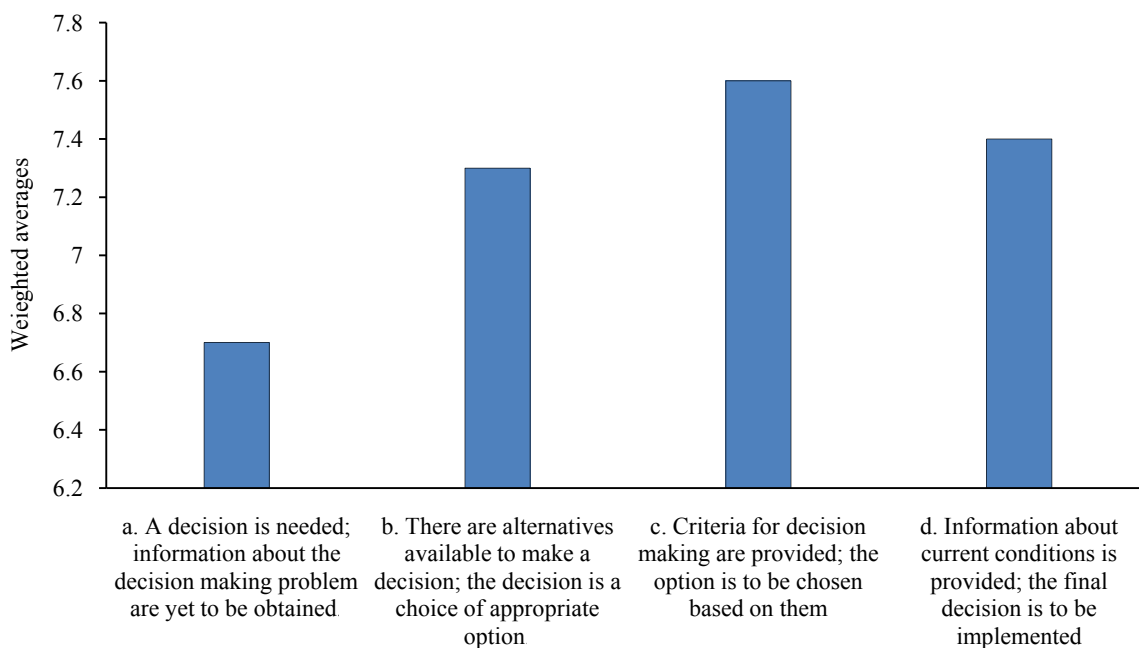


Figure 2. The importance of accumulated knowledge in various decision making settings (weighted averages in the scale of 1–10)

intensity varied, Czech respondents denied the use of intuition in decision making: 9% strongly, almost 39% with some reservations. This is apparently the reflection of the bad reputation of intuition arising from the lack of understanding. The correlation with the management level shows in the Czech survey the opposite results: with growing seniority, the use of intuition decreases. This goes against the findings of Burke and Miller, where senior managers admitted the use of intuition much more frequently than junior professionals.

The other questions assessing the importance of accumulated knowledge has introduced managers to the decision making situation and offered the following options:

- (a) A decision is needed; information about the decision making problem are yet to be obtained.
- (b) There are alternatives available to make a decision; the decision is a choice of the appropriate option.
- (c) Criteria for decision making are provided; the option is to be chosen based on them
- (d) Information about the current conditions is provided; the final decision is to be implemented.

The breakdown of respondents' answers is shown in Figure 2.

It is apparent from the Figure 2, that the accumulated knowledge is most important in the settings, where the decision is to be made based on known criteria. A detailed look at the data provided by managers, however, shows, that the perception of the importance of accumulated knowledge varies with the managerial level: managers on the top management level tend to stress the decision making described as a choice from the available alternatives. This can be attributed to different roles of managers and their different responsibilities within the organisational hierarchy.

CONCLUSIONS

The increasing importance of intuition in decision making is becoming to be widely accepted by both practitioners as well as the academia (Vasconcelos 2009). Yet, there is a vast amount of aspects to be further researched: especially specific situations in which intuition works well, the decision type, which can be associated and supported by intuition, the decision maker's profession, the experience and industry, the nature of the organizational culture.

While intuition can promote innovation, it can also bring negative outcomes. Intuitive managers become impatient with repetitive actions or details. They then tend to jump to conclusions too quickly

ignoring the relevant facts. There is a number of methods attempting to manage these tendencies, often offered as a decision support systems (see for instance Milecova et al. 2010). These actually tend to bring the decision-makers back to the long-term tradition of rational approach to decision making and prove that managers are often trained to disregard and mistrust their judgement. The relationship between intuition and rationality can work in a number of ways as they represent two parallel systems of knowing: in this sense, they are dual processes. Intuition and rationality are complementary in the sense of capability to use each of them to meet the requirements of the particular decision making situation.

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