

## **Business Builder Newsletter # 23: “Go With Your Gut”** May 5, 2010

By Linda Rink, President, *RINK Consulting*

Some people pride themselves on making decisions based on “gut feel.” Are you one of them? Whether you call it gut feel, intuition, or making a snap judgment, you’re certainly not alone. And sometimes there is simply no time to mull over options, you have to decide now.

We all know that there can be good and bad outcomes to “gut” decisions, just as with any decision. The key to a good outcome is what is driving that “gut feel.”

- Is it experience, based on similar situations that you have gone through?
- Is it knowledge, based on statistics, data, or research?
- Or is it emotion, based on fear, arrogance, or some other non-logical input?

Actually, all of the above – even emotion (i.e., emotional intelligence) -- can play a part in formulating a sound, sensible decision. But danger lies when business decisions are made quickly without sufficient data to “inform” that gut feel.

Much has been written about the role of intuition in the decision-making process, including such best-selling books as “Blink” by Malcolm Gladwell. Says Gladwell, “...I think those instant conclusions that we reach are really powerful and really important and, occasionally, really good.” When it comes to business strategy, however, being a researcher, I strongly believe that decisions based on data are far preferable to Gladwell’s “instant conclusions.”

Last March the McKinsey Quarterly, the business journal of consulting firm McKinsey & Company, published a very interesting interview with Nobel laureate Daniel Kahneman and psychologist Gary Klein, titled “Strategic Decisions: When can you trust your gut?” \* Their answers can be summed up as: “It depends.”

Gary Klein states, “You need to take your gut feeling as an important data point, but then you have to consciously and deliberately evaluate it, to see if it makes sense in this context.”

Daniel Kahneman cautions, “In strategic decisions, I’d be really concerned about overconfidence. There are often entire aspects of the problem that you can’t see—for example, am I ignoring what competitors might do? An executive might have a very strong intuition that a given product has promise, without considering the probability that a rival is already ahead in developing the same product. “

So how do you strike a balance between total gut and “analysis paralysis”? And what do you do when you don’t have the luxury of mulling over an issue for, say, a couple of weeks? How do you increase the likelihood that you make a smart decision?

**My advice is to “go with your informed gut.”** By this I mean keeping in touch with the marketplace and not just relying on what’s in your own head:

- Seek information from or about your customers and/or prospects.

- Keep an eye on what your competition is doing.
- Be informed about industry news and trends.

Smart business people do this regularly; it's part of thinking strategically. Then, if you have the luxury of time, you could also:

- Seek objective viewpoints from individuals outside of your company.
- Commission research that specifically addresses the issue.

So there's nothing wrong in making gut decisions, as long as you're going with an informed gut. If your "feels right" decision is based on current knowledge and guided by relevant experience, then go with your gut!

(\* Daniel Kahneman is a Nobel laureate and a professor emeritus of psychology and public affairs at Princeton University's Woodrow Wilson School. Gary Klein is a cognitive psychologist and senior scientist at MacroCognition. Kahneman and Klein co-authored "Conditions for intuitive expertise: A failure to disagree," published in the September 2009 issue of American Psychology. They were interviewed by Olivier Sibony, a director in McKinsey's Brussels office, and Dan Lovallo, a professor at the University of Sydney and an adviser to McKinsey.)

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