

Cultural Influence on Intuitive Decision Making

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Abstract: Knowledge intensive decisions are met based on existing facts and, more often than not, the intuition of the makers. This paper connects the emergence of intuition as a product of tacit knowledge processing. It deals mainly with the question whether or not intuition is a suitable instrument to base a decision on. It shows that cultural differences play an important role in the process. By comparing some fields of practices of intuitive decision making this paper suggests some parameters that focus on the relevant exploitation of intuitive decision making.

1 Problem Statement

In the era where competition between companies has been tighter than never before, decision makers are experiencing enormous pressure in determining the best possible measure to be taken that yields in profit maximization and most advantageous resource expenditure. Some of these decisions have to be met in a relatively short period of time as compared to the significant impacts they might bring to the company. Lacking of relevant information to base and reason one's decision is a barrier from the past. Nowadays, information overflow is the common problem [SS04], [LL95]. Decision makers face difficulties in sorting relevant and urgent information from countless sources. While many attempts from multiple disciplines such as the development of IT-based communication platforms or decision support systems (DSS) or concentration only on certain exhibitions of common interests or even assignment of "Gatekeepers" [SV09] have been made to address this problem, decision makers have to meet the final decision eventually. This is when intuition plays its part. Although intuition has rather become a norm in decision making and its use has been inevitable, preference over and against intuitive decision making is mostly influenced by the organizational culture and its attributes.

This paper aims to answer the following research questions:

1. How do organization cultures influence decision making processes?
2. What role does intuition play in the decision making process?

3. Which knowledge management approaches can be used to help intuitive decision makers make felicitous decisions?

In order to accomplish a deeper insight about the nature and practice of intuitive decision making, this paper will first address types of organization cultures. Subsequently, I will explain some theories of intuition, its implementation in the practice as well as the approaches of knowledge management that help intuitive decision makers to make decisions and towards the end, the lessons learned from experiences.

2 Organisational Culture

The way human beings talk and behave is a product of how he/she was being raised. People that are raised in different parts of the world show overwhelming differences of behaviour and ways of thinking. When a group of people share these behaviour and ways of thinking, then it is a culture [Ph93]. Hofstede defines culture as “mental programming”, which means that the things that belong to a culture are usually rooted back from childhood times and were learned throughout one’s lifetime¹ [Ho01]. There are many other definitions of organizational culture and communication. Trompenaars categorizes the seven culture dimensions [TT98], Halls differentiates between high-context and the low-context cultures [Ha81], Schultz describes the functionalist and symbolic perspectives [Sc95], etc.

Based on this understanding, the term organization culture is suggested as the desired value and ways of thinking shared by the people in an organization. There are three levels of manifestation of culture in organizations: (1) artefacts, which are visible and observed behaviors of structures and processes, (2) espoused beliefs and values, which include shared idealization and (3) basic underlying assumptions, which are the unconsciously adopted values that determine behaviours and points of view [Sc10]. All these manifestations of culture influence how decisions are made within an organization.

As an example, Pheysey claims that there are differences between the western and eastern societies in perceiving the importance of matters. The western societies tend to explain occurrences based on science and pragmatism, while the eastern societies connect themselves with the nature and see occurrences as given. She also emphasizes that “much of what ‘we’ know is subconscious and only surfaces in consciousness when conditions are ripe. Western scientists know this, but the East pays greater regard to intuition.” [Ph93]. In other words, intuitive decision making has a higher acceptance level in the eastern society than in western societies.

¹ Hofstede did an empirical research at a multinational company with 16,000 employees in 72 countries and concluded the five organizational culture patterns: Power distance (PD), which is the accepted degree of power distribution among the people in one society, Uncertainty avoidance (UAI) that indicates the degree of anxiety being felt when given an uncertain situation, Masculinity (MAS), which is the level of traditional male/female role appreciation, Individualism (IDV), which refers to the intensity of the bond among the collective members, and Long term orientation (LTO), which indicates the extent until which a society values traditions and ideals [Ho01].

This assumption correlates to Hofstede's finding that the western countries have higher UAI than the eastern countries. Moreover, people from eastern countries having high PD are not accustomed to scrutinize their superiors. This allows decision makers to use their intuition more freely than in western countries where superiors make collective decisions with their employees. The same thing applies to western countries with high IDV. Lowry et al. suggest that individualism correlates negatively to trust. In other words, "interpersonal trust is greater in collectivistic groups than in individualistic groups" [Lo10]. Superior scrutiny is uncommon due to fear and respect (high PD) but also due to trust (low IDV). Although the discipline of organizational culture helps to understand why some people act the way they do, there are always exceptions since behaviour is also influenced by characters and the environment.

3 Intuition in Decision Making

Although intuition is easy to recognize, it is difficult to describe [SS04]. Consent to define its meaning has not been reached. Most definitions of intuition presume unconsciousness as its first trademark [SL96], [ShS97], [DP04]. Uncertainty is the second. Intuition is also known as "gut feel", which can be understood as a challenge to take unknown risks. It is also defined as a process to make a conclusion using bare information [WR63], to reach thoughts with little apparent effort [Hog01] and without much reflection [Ka03]. Presumably, these are why intuition has often been "overlooked and disregarded" [SS04], despite the commonly known fact that decision makers have been embracing intuition one way or another in their consideration. Where does this confronting paradox come from? What are the roles of intuition in decision making and how is intuition distinguishable? The next subsection will discuss the elements that make up intuition.

3.1 Elements of Intuition

There are two types of analysis that lead to a decision. Rational analysis involves "the acquisition of knowledge through the power of conscious reasoning and deliberative analytical thought" [SS04]. In other words, rational decision making require a certain degree of stability with clear descriptions of which aims to achieve, barriers that might be encountered and the risks that might occur. Wierzbicki adds that decisions made using rational analysis should be refutable [Wi97].

Making a decision based on a rational analysis is safe and usually does not involve risks. Decision makers prefer to use rational analysis to reason their judgment since rationality is collectively shared and normally suggests a certain standard. However, when decision makers are put under time pressure or when they are not provided any possibility to process relevant information, rational analysis loses its weight in the decision making and decision makers rely on what they already have and learned.

Intuiting decision makers look at different angles, sometimes unconsciously, than the ones obvious to others, and “get a feeling” that “something is right” or “not right”. This “feeling” is not shared, therefore, when asked to explain their judgment, intuitive decision makers cannot always bring their counterparts to understand or accept their decision. Intuitive decision brings a higher level of uncertainty.

Our tacit knowledge is a mix of previous knowledge, perceptions, experiences, values that we adopt as a child, skills and abilities and correlations of things in our world [Po66]. This knowledge is therefore difficult to convey without the hazard of content loss. For example: the ability to speak a foreign language is a tacit knowledge. The process of learning it involves interweaving the familiar and known aspects into the available slots. When coherences were found, these are registered and become new knowledge, which can then be used when learning another word or another language. A language teacher cannot convey his/her knowledge to all his/her pupils equally because the process of learning and the generation of tacit knowledge always depend on the previous tacit knowledge.

Intuition is as such tacit knowledge. It gives a person the qualifications to make a decision, even without conscious awareness of the rational reasons. Intuition has even been presumed, although not formally, as norm in decision making [KN00]. Companies require many years of experience when they offer a leading position. Experience is one of the most important ingredients to intuit, due to the learning process that takes place after an occurrence. The richer someone is with experience, the more learning experience he/she can take account for his/her decision making and therefore, the higher is the precision of his/her intuition.

Repeating occurrences intensify the confidence of decision makers when making decisions intuitively because that means that a certain rule has developed and that the outcome of the intuitively made decision has been validated, though in the past. This phenomenon is also called experience. Using the words of Khatri and Ng I conclude: “In sum, intuition is not an irrational process. It is based on a deep understanding of the situation. It is a complex phenomenon that draws from the store of knowledge in our subconscious and is rooted in past experience.” [KN00].

3.2 Fields of Practice

This subsection aims to give examples of the application of intuitive decision making in several fields of practice, which are risk management in business and economics and the innovation process in engineering.

Intuitive Decision Making in Risk Management

Risks managers are responsible for the implementation of the risk management process in their organization, including the identification of weak signals [An76] that might evolve into internal and external risks. These decisions are made intuitively because weak signals do not appear in a clear context or logical interrelation to what might happen.

Longstanding experience and be well-informed of the external and internal organizational environment are the main prerequisites for an accurate judgement. Since risk managers might not have all the specific know-how needed, they have to consult the experts in the respective departments for inputs and convince the experts and stakeholders (diffusion) of their intuition by using rational analysis (showing hard facts and trends). The top management, together with the risk managers, plan risk handling measures and risk managers bring them into realization. The documentation of the plan and realization process as well as its results serves as basis for risk evaluation and learning process of the organization, in order for it to prepare for the next term. As such, risk managers are expected to use their intuition to make decisions. The outcome not only validates or invalidates their judgement but also sharpened their perception capabilities for future use.

Intuitive Decision Making in Innovation Process

Innovation is one of the crucial success recipes of growing companies. Impulses for innovation could come from existing customers wishing customization or upgrades. Now, who administers all those impulses? Which criteria are used to sort 'good ideas' and 'unusable' ones? Reid and de Brentani suggest the assignment of "boundary spanner" and "gatekeeper" roles [RB04]. Boundary spanners are employees in an organization who are interacting with the external environment. They know their way around the market and can predict what it needs. So boundary spanners use their experiences and perceptions to intuit whether or not some ideas should be implemented based on the market situation. The longer boundary spanners have been keeping track of the trends, the better they can "recognize patterns" [Ro96] and thus, intuit more reliably. Gatekeepers have the tasks of synchronising the external ideas with the company's condition, which means that they should have a long standing experience within the company in order to be able to make decisions. Standardized criteria in filtering impulses are not available, while decisions whether or not to implement them have to be taken very quickly sometimes, otherwise the opportunity can be taken by competitors. In this case, intuitive decision making is the preferred judgement.

Intuition finds its application in many other activities and fields of practice. In art and design branches, intuition is needed as much as creativity. In constituting vision and objectives, intuition is important to predict and plan which way the organization is going by using only approximate inputs about the future. In selecting personnel, closing a deal, choosing cooperation partners, intuition is needed to make decisions, even when inputs for rational analysis are available (i.e. application and CV, contract clauses).

4 Knowledge Management and Intuitive Decision Making

Now we know that intuition is based on knowledge. Tacit knowledge establishes the basis of interpretation and explicit knowledge is the foundation of rational analysis. The management of knowledge influences the way intuitive decisions are made. However, how and when should intuition be used in organizations? Which knowledge management approaches can be used to help intuitive decision makers making felicitous decisions? Table 1 shows a summary on intuitive decision making parameters.

Environment	Chaotic [SB07] Unstable environment [KN00] High environmental uncertainty [DP04]	Characteristics [SB07]: High turbulence, no clear cause-and-effect relationships, unknowables, many decisions to make and no time to think, high tension, pattern-based leadership
Analysis	Problem solving method using complex and domain-relevant schema [DP04]	Usage of expertise approach rather than heuristic approach [DP04]
Learning	Explicit learning: <ul style="list-style-type: none"> • Repetitive practice over a long period of time [KN00] • Rapid and accurate feedback and exacting consequences [DP04], [SS04] 	Implicit learning: Focus attention on the stimulus environment [DP04]
Tasks- and organization-orientation	Judgemental task [DP04] Continuously learning organization [LL95]	
Recommended actions	(Sadler-Smith/Lefy) <ul style="list-style-type: none"> • Benchmarking (confronting intuition with past experiences) • Scrutinize intuition (raise objections) • Capture and validate intuition (discuss with others, get elicited feedback) 	

Table 1: Summary of intuitive decision making parameters

Intuitive decisions are often made in a chaotic and unstable environment providing less certainty. Since the situation leading to the choices of decision mostly does not allow much time for rational thinking expertise approach and a problem solving method using domain relevant schema are used. Learning is also a very important aspect in making intuitive decisions when validation actions are performed, such as benchmarking with past experiences and discussing with others.

Figure 1 shows a simplified decision making process. At the beginning of the process there is a problem situation that requires a decision. To base his decision an individual needs stimuli, which come from the environment taking the form of rational facts as well as indirect signals and build his own advance assumption. These stimuli are interpreted using the individuals' existing knowledge and information. The result of his interpretation and the advance assumption enables him to select the preferred solution, and therefore, make a decision. The outcome of this process will be stored and used to make future decisions.

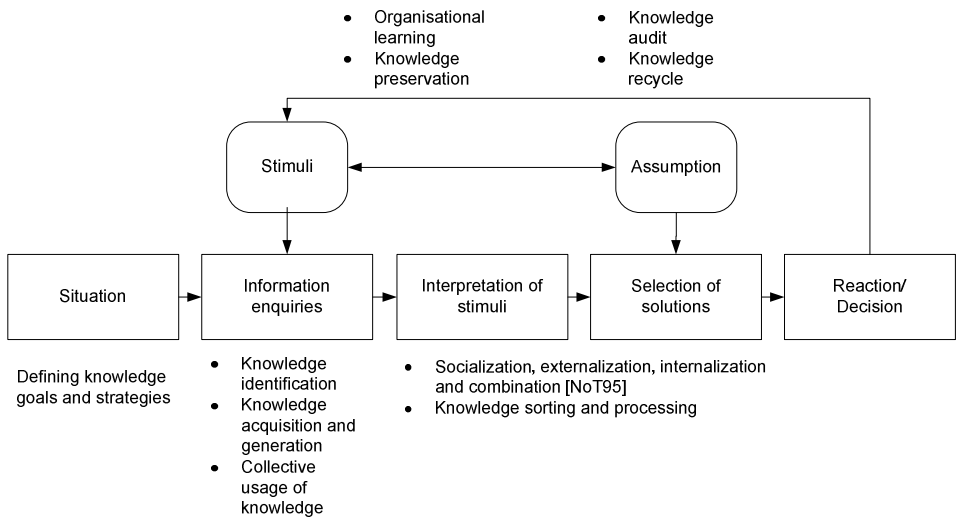


Figure 1: Knowledge management activities within a decision making process (based on Kirsch 1971)

When a situation appears a decision maker should define the scope of decision to be met and which kind of knowledge goal he is going to achieve by making the decision. While enquiring information it is important to identify which knowledge is available and which knowledge needs to be acquired or generated. In case the knowledge and information is available within the organisation, then it needs to be shared and collectively used to encourage its exploitation. In interpreting the stimuli that a decision maker receives he needs to exchange ideas with his associates, internalize information and write down his thoughts as well as putting together pieces of information. These activities are called knowledge sorting and processing, since irrelevant knowledge will be ignored and sorted out. After the decision is made, the result and the outcome of the result are kept by the decision maker as an experience, which will influence his stimuli at later decisions.

4 Conclusion

Within this paper we have learned that culture and its attributes influence decision making and its preference. Intuition, as we know now, is based on longstanding experiences of an individual and his/her learning process. Intuitive decision making has been applied in many aspects of business organizations. When applied carefully and within a suitable environment, it can contribute an extensive competitive advantage to companies. This paper also suggests the implementation of knowledge management activities to improve the quality of an intuitive decision making process.

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