

Lessons from “Good Minds”: How CEOs Use Intuition, Analysis and Guiding Principles to Make Strategic Decisions

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This paper examines how decision makers manage complex situations by combining rational analysis with intuition. Based on a study of 19 oil company CEOs, it identifies two processes used by the most effective CEOs: integration by essentials (IBE) and spiralling. Besides using these two processes, the effective CEOs shared three thinking-related traits: focus, motivation and self-awareness. The paper concludes with implications for effective decision making.

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Introduction

What enables some decision makers to achieve superior performance? Why are they able to proceed quickly and effectively while others waver and make inferior decisions? As the world grows increasingly turbulent because of the globalisation of markets and rapid changes in technology, the ability to make high-quality decisions quickly in the face of complexity has become a central managerial issue and a fundamental dynamic capability.¹ For example, should one adopt the new technology a vendor has just introduced? An opportunity to acquire a competitor has arisen — should one take it? And what about expanding into new, potentially lucrative but unfamiliar markets?

For some managers, making complex decisions under time pressure seems to come more easily than to others who struggle. To understand the ability to make such decisions, much research and the popular business press have focused on the role of intuition, defined as “insight that bypasses reasoning” and commonly understood as an inexplicable “hunch” or “gut feeling” that tells a person what to do. Cognitive psychology has pointed toward heuristics, such as scripts and expert schemas, as manifestations of intuition that facilitates quick and complex decision making.² However, not much is known about where intuitions come from and how they relate to rational analysis, the conventional hallmark of strategic decision making.

This article examines the role of intuition and cognitive tools in effective strategic decision making and proposes a model that integrates intuition and rational analysis. It bases its argument on a study of 19 CEOs of oil companies, 16 of whom were known as “good minds” and three as “not-so-effective thinkers”. First, I review the research on the role of intuition and cognitive heuristics in decision making as well as the literature supporting the model induced from the study. I then briefly explain the research