In this age of big data and analytics, intuition based on experiential learning often gets overlooked in this data-driven or data-informed environment. Following onto Liebowitz et al.’s Fulbright research study and new book on How Well Do Executives Trust Their Intuition (Liebowitz et al., 2019), we now wanted to target financial executives to explore their intuition-based decision making phenomenon.

Towards this goal, a joint effort between AIER (American Institute for Economic Research) and Liebowitz, as an AIER Visiting Scholar over the years, ensued in surveying financial (and business executives) to get a better sense for their use of intuition in making executive decisions. The survey instrument was adapted from Pretz et al. (2014) and Liebowitz et al. (2019) and the results are based on Summer 2019 results, in addition to CFO-related survey results from a previous fielding by Liebowitz et al. (2019).

Before displaying and discussing the results, we can highlight some of the leading published work in this area as pertains to using intuition by financial managers and executives. Hensman et al. (2011), in their case study research of a finance organization, found that intuition is an important aspect of decision making. Lipshitz and Shulimovitz (2007) found that in the reasoning of bank loan officers, intuition (or gut feelings) was regarded as a more valid indicator of worthiness of the application than were the relevant financial data. The Financial Executive Institute (FEI, 2014) indicated that the average CFO relies on spreadsheets and intuition for 66% of their work. Liebowitz (2019) explains how leaders in various sectors have used their intuition effectively in making key decisions. To be fair to both sides of the argument, Thoma et al. (2015) discovered that financial traders showed no elevated preference to use “intuition” in their decision making compared to other groups. However, a later study at the University of Cambridge (Kandasamy, 2016) found that hedge fund traders who relied on their gut instincts outperformed those who didn’t.

Now, let’s turn to our survey results. We had 39 questions in the survey, and we had 243 survey respondents. Of those 243 respondents, we looked for those individuals who were either a CFO (Chief Financial Officer) or a C-level executive who worked in the Finance/Insurance/Banking industry. This narrowed our sample to 38 survey respondents. Fifty-five (55) percent of the sample were from North America (U.S. and Canada), 37 percent from Europe (Poland, Italy), and 8 percent from other areas. Eighty-seven (87) percent of the sample were males, and 13 percent females. Thus, there may be a strong bias in the results toward both a North American view and male-oriented perspectives.

The main survey results are highlighted below:
• For new projects, CFOs and executives in the finance/insurance/banking industries felt they are big idea/conceptual-oriented first and then detailed-oriented later;
• They feel confident in their intuitions, especially in familiar situations;
• Emotional hunches take a back seat to thinking carefully about dealing with a problem;
• Familiar problems can often be solved intuitively;
• People feel that there is a logical justification for most of their intuitive judgments;
• Logic and fact-based seem to prevail;
• Past experience is relied on heavily for an approach to problem solving;
• Intuitions come to the individual very quickly;
• Facts are valued greater than feelings and hunches; however, people generally believe in trusting their hunches;
• Experiential learning is a key prerequisite for trusting one’s intuition;
• Concrete facts are preferred over abstract theories;
• For quick decision making in one’s area of expertise, one feels he/she can justify the decision logically;
• People generally prefer to follow their head rather than their heart;
• Most people concerned themselves as “big picture” persons;
• People overwhelming agreed that a manager/leader’s ability and competence lead to improved trust among people.

Even though the international sample size is relatively small, the results can still give a glimpse of how financial executives view their use of intuition in executive decision making. The area plot figure below shows the survey responses to the 39 survey questions, where DF=Definitely False, MF=Mostly False, UND=Undecided (neither true nor false), MT=Mostly True, and DT=Definitely True. You can view the 39 survey questions in the Appendix.

Key Takeaways:
• Analytics + Intuition = Success (especially with leaning on analytics, but also taking experiential learning and intuitive awareness into account);
• CFOs and other executives in the finance/insurance/banking industries are number-oriented, but also have a “big picture” view;
• Intuition can play a key role for CFOs in terms of facing similar problems to past situations;
• Fine-tuning one’s intuitive executive awareness can lead to better hunches for possible problem solutions.

References


Appendix
39 Survey Questions

1. When tackling a new project, I concentrate on big ideas rather than the details.
2. I trust my intuitions, especially in familiar situations.
3. I prefer to use my emotional hunches to deal with a problem, rather than thinking about it.
4. Familiar problems can often be solved intuitively.
5. It is better to break a problem into parts than to focus on the big picture.
6. There is a logical justification for most of my intuitive judgments.
7. I rarely allow my emotional reactions to override logic.
8. My approach to problem solving relies heavily on my past experience.
9. I tend to use my heart as a guide for my actions.
10. My intuitions come to me very quickly.
11. I would rather think in terms of theories than facts.
12. My intuitions are based on my experience.
13. I often make decisions based on my gut feelings, even when the decision is contrary to objective information.
14. When working on a complex problem or decision, I tend to focus on the details and lose sight of the big picture.
15. When making decisions, I value my feelings and hunches just as much as I value facts.
16. I believe in trusting my hunches.
17. When I have experience or knowledge about a problem, I trust my intuitions.
18. I prefer concrete facts over abstract theories.
19. When making a quick decision in my area of expertise, I can justify the decision logically.
20. I generally don’t depend on my feelings to help me make decisions.
21. I’ve had enough experience to know what I need to do most of the time without trying to figure it out from scratch every time.
22. If I have to, I can usually give reasons for my intuitions.
23. I prefer to follow my head rather than my heart.
24. I enjoy thinking in abstract terms.
25. I rarely trust my intuition in my area of expertise.
26. I try to keep in mind the big picture when working on a complex problem.
27. When I make intuitive decisions, I can usually explain the logic behind my decision.
28. It is foolish to base important decisions on feelings.
29. I am a “big picture” person.
30. A manager/leader’s ability and competence lead to improved trust among people.
31. Compassion & empathy, demonstrated by a manager/leader, builds trust among people.
32. A manager/leader’s sound and constant communication (verbal, non-verbal, written, and visual) improves trust among people.
33. The attitude of partnership and association demonstrated by a manager/leader builds trust among people.
34. Consistency in doing things by a manager/leader brings about trust among people.
35. Exhibiting dependability by a manager/leader develops and creates trust among people.
36. A manager/leader’s honesty and principles contribute to elevated trust among people.
37. Acceptance and broad-mindedness demonstrated by a manager/leader contribute to increased trust among people.
38. Exhibiting reliability by a manager/leader develops and creates trust among people.
39. A manager/leader’s transparency is central to building trust among people.