



The Power of
Intuition

And Why It's the Biggest Myth
in Business Today

By Kevin J. Clancy and Peter C. Krieg

What is it about going through life, making decisions flying by the seat of our pants, without a plan to get to a clear destination that has us all so captivated? To have the confidence to strike out on your own—research and professional opinion be damned—and take a stand, make a choice, set off in a new direction... just like that. As *New York Times Magazine* columnist Rob Walker wrote recently in a piece for *Fast Company*, “From Captain Kirk to Indiana Jones to Rambo to Tony Soprano to the hero of every Western ever made, we’re drawn to the character who follows a hunch and wins.” In business too, Walker continued, “The most widely celebrated heroes of capitalism are the Steve Jobs, Richard Branson, or Mark Cuban-types—the ones who scorn what the focus groups and the gurus say and follow their superior instincts into the highest possible tax bracket.”

This reverence for go-with-the-gut corporate heroes is not something new. True, some point to the 2005 publication of New Yorker columnist’s Malcolm Gladwell’s book *Blink: The Power of Thinking Without Thinking* and its exploration of the “power” of intuitive decision making as THE seminal moment in business history that overnight raised the status of gut instinct from scoffed-at obscurity to respectable, even preferable managerial tool. The publication of *Blink* did inspire *Fast Company* to proclaim “Acting on Intuition” as the number one trend that “will change the way we work and live.” Unequivocally, *Blink* has struck a chord with Corporate America and beyond. It has sold more than a million hardcover copies in North America alone and rumor has it Gladwell sold the film rights—you read that right, the *film rights*—to Universal Pictures for \$1 million with Leonardo DiCaprio set to portray the author. Even two years after the book first went to print, Gladwell is still a “hot” speaker on the circuit, earning a reported \$40K a pop. Still, the shelves were well-stocked with books about honing your intuitive skills for business success long before *Blink*.

Indeed, “The decade of the 1980s may well become known as that benchmark period in management history when intuition finally gained acceptance as a powerful brain-skill for guiding executive decision-making,” wrote author and consultant Weston H. Agor more than twenty years ago. The bible for many managers in the go-go 80s and early 90s, Tom Peters and Robert Waterman’s *In Search of Excellence*, highlighted a key attribute of the ten best run companies in America: encouraging management to draw on their intuitions. Futurist John Naisbitt noted in 1983, “Another shift I see that really impresses me is a new respectability for intuition in corporate settings.” Intuition was gaining in notoriety and prestige long before *Blink* came along, though the widespread popularity of the book and rock-star status of its author certainly have added fuel to the fire.

So if we go by when academic and other popular literature started dedicating serious attention to the topic of intuition in business decision-making—the 1980s—there’s at least two decades worth of data from which to draw conclusions about the so-called “power” of hunches and feelings. As it turns out, while it sounds quite manly, brave, and highly lucrative to stick to your guns and go with your gut under pressure, under scrutiny, to not back down, it’s not exactly an uncommon thing to do in business today. Because people in business make gigantic, multi-million—sometimes even billion—dollar decisions every day based on little more than a hunch, there’s no lack of opportunity to follow in the footsteps of our corporate heroes. The real issue is how many times do pure hunches alone lead to legendary success? The answer upon closer inspection: pretty rarely.

BUSTING THE MYTH

Take the much-vaunted story of the development and launch of the Dodge Viper, a super-charged sports car, as a case in point. As recounted in a *Harvard Business Review* article touting the virtues of gut decision making, after a weekend drive in his (Ford) Cobra, Bob Lutz, then Chrysler's president, became absolutely convinced the company had to develop "a muscular, outrageous sports car that would turn heads and stop traffic." As might be expected at a firm known for trucks and a popular minivan, the "naysayers were many." "Chrysler's bean counters were arguing that the \$80 million investment would be better spent elsewhere....The sales force warned that no U.S. automaker had ever succeeded in selling a \$50,000 car." At the time, Dodge customers were primarily blue-collar and vehicles were typically priced under \$20K—not exactly a core group of potential prospects for this kind of car, one that married the looks of a hot 50s era street rod with twenty-first century technology.

Nevertheless, our corporate hero persevered, "pushing the project forward with unwavering commitment." The article notes, "Amazingly, he had no market research to support him, just gut instinct." Lo and behold, "The Dodge Viper became a smashing success." The article contends, the Viper, "single-handedly changed the public's perception of Chrysler," lifted employee morale, and sparked the 1990s renaissance of the firm. Hallelujah!

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Before you get carried away, we should point out that “smashing success” is clearly a relative term here. Yes, the car generated—and continues to generate—buzz among auto enthusiasts and it routinely graces race tracks and magazine covers. Yet to quote an important question posed by *Driving Today*, did it create the promised “halo” effect “that would send a warm glow of sportiness over the entire Chrysler line”? The answer to that is much less clear. Recall that sales of sports utility vehicles, trucks, and inherently non-sporty minivans lead Chrysler’s “dramatic turnaround” in the mid-1990s. It’s a bit of a stretch to conclude vast numbers of truck and minivan buyers connected the introduction of the Viper (if they even knew about it) to improved “sportiness” through all Dodge makes and models. Who really knows if these buyers [uniformly] cared that much about sportiness when making a purchase decision in the first place? More importantly, “aside from its ability to capture magazine covers—an attribute creator Bob Lutz insisted was worth the cost of developing and building it—the Viper’s a money loser,” explained *Edmund’s Auto Observer*. The company only makes a few thousand Vipers a year at the most and it has never been a huge profit generator. Analysts and other industry observers don’t expect Chrysler’s new corporate parent Cerberus to keep the Viper alive for long.

If nothing else, the story of the Viper goes to show you can’t always rely on the stories you read in the business press and even the first-hand accounts from the frontlines as told by corporate executives that credit the mystic sixth sense a select group of business leaders seems to possess when it comes to making the “right” decision. As Paul Barsch, marketing director at Teradata, commented in a piece for MarketingProfs.com, “after all, wouldn’t you rather read about the business executive who had the right hunch and made millions, as opposed to the quant-jock who crunched the numbers and came up with the winning combination?” Rob Walker also noted, “even corporate honchos whose success has had much to do with number crunching know that the rest of us look up to those who defy the odds, not play them. Did Jack Welch call his first book *Notes Regarding Efficiency Gains Related to Six Sigma*? No. He called it *Jack: Straight From the Gut*.” More often than not, A LOT more went into a decision than just a feeling, but authors, reporters and others must think it makes for better copy if they downplay the other factors. The author of *Competing*

on *Analytics*, Tom Davenport pointed out that even Gladwell, in *Blink*, “suggests that intuition is at work when substantial analytical work has preceded a decision.”

Going back to the Viper for a moment, we don’t doubt for a second that Bob Lutz had an idea for a sports car just come to him out of nowhere. We know from experience that new product and service ideas come from everywhere—senior executives wake up with them in the middle of the night, or the company has an opportunity to license an idea from another country, or the firm does some new product ideation sessions and comes up with dozens of possibilities. But what happened after he received his divine inspiration?

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At the very least, Chrysler built a concept car that the firm brought to the North American International Auto Show in Detroit in 1989. As history has it, everyone went crazy for it—it was the most talked about car at the show, enthusiasts were raving, analysts were intrigued, etc. According to *Driving Today*, after the show, “the drumbeat began—build the Viper; build the Viper! Now whether Chrysler public relations started the buzz or simply fanned the flames is open to question, but there is no doubt that press and public sentiment did stir the Chrysler folks into seriously considering production for the brutish show car and then giving the final OK.” In other words, the company under Lutz did at least a rudimentary form of concept test (scientific merits aside).

Had folks yawned and not given the concept car a second look, would the company still have banked on Lutz's hunch a muscle car would help the brand and the bottom-line? Not likely. So basically Lutz had an idea and the company tested it out—sounds pretty mundane compared to the “subconscious visceral feeling” Lutz described to say he knew he was doing the right thing. There was at least a modicum of market research to back it up.

Now some might argue that intuition-driven decision making works better in certain functional areas of a business, and within these areas, the ratio of success to failure where gut made the call is much higher. *Harvard Business Review* senior editor Alden Hayashi, for instance, wrote recently that, “Obviously, gut calls are better suited to some functions (corporate strategy and planning, marketing, public relations, human resources, and research and development) than others (production and operations management and finance).” Oh really? Let's take a closer look at marketing, an area we know pretty well.

ARE GUT CALLS REALLY BETTER SUITED FOR MARKETING?

Certainly there's plenty of evidence marketers do more than their fair share of thinking with the gut. According to a survey by executive search firm Christian and Timbers, 45 percent of corporate executives report that they now rely more on instinct than on facts and figures in running their businesses, and marketing is no different.

But are gut calls really better suited for marketing? We suppose in marketing it might be easier to *rationalize* going on pure hunch—there's a creative element to marketing; there's touchy-feely aspects to the practice; conventional wisdom has it that its effects are hard to measure, and so on. But if the performance of the majority of marketing programs is any indication, relying on gut instinct alone is not at all justifiable. One of the best kept secrets in American business today is that the average ROI of most marketing programs is **zero or negative**. Study after study, using different methodologies, approaches, and data, all come to this disappointing conclusion:

- Nielsen reports a 95% new product failure rate.
- The University of Michigan discovered that the average cross-industry customer satisfaction score has fallen below 75%.
- The Marketing Science Institute determined that a 100% increase in advertising expenditures yields just a 1% increase in sales.
- ROI measurement firm Marketing Management Analytics found that major media advertising for consumer packaged goods brands returns 54 cents on the dollar and campaigns for non-consumer packaged goods brands, 87 cents on the dollar—two losing propositions.
- A Deutsche Bank study of packaged goods brands found that just 18% of television ad campaigns generated a positive ROI in the short-term; less than half (45%) saw any ROI payoff over the long run.

- Copernicus observed that brand equity is in decline in 48 of 51 categories where buyers perceive the leading brands as more similar than different, and make purchase decisions based on price rather than product and service attributes.

With this kind of track record, is it any wonder that only two out of ten U.S. companies grow organically—through their marketing efforts and introduction of new products—by more than 2 or 3 percent per year?

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What's so shocking to us is that marketing executives continue to believe they have an innate ability to make faultless gut decisions even as the projects on which they have made the decisions—to introduce this product with this feature, to run this commercial, to choose this medium for the advertising, to adopt this positioning—routinely crash and burn. Chief marketing officers who are hooked on a feeling and embrace the idea of “thinking without thinking” may help explain why the average CMO tenure is only 26 months.

THE GRASS ISN'T ALWAYS GREENER: FOCUS GROUPS AND CARTESIAN PHILOSOPHY

We should probably say here that, yes, we do know there is a whole host of issues over on the other side of the decision-making spectrum. There are as many criticisms of relying purely on research and reason to make a decision. In marketing, for example, “marketers generally distrust research and data,” as *Advertising Age* recently reported. And with good reason! There’s quite a bit of suspect data and quickie analysis of said data that sometimes offers misleading or even inaccurate information. Internet surveys, for instance, are huge these days. Unfortunately they often understate the proportion of the market who are not connected (i.e., minorities) and people who have neither the time nor the inclination to do an internet survey (i.e., busy executives, hassled moms, professionals in general). It’s easy to see how a company that doesn’t take the care to either specifically recruit underrepresented groups or to weight the responses of different types of buyers into their correct proportion in the population gets a distorted view of the market universe.

As another example, one popular research technique is to ask buyers to tell you what’s important to them when considering a particular product or service. The question goes something like, “on a scale from 1 to 10, can you tell me how important it is that your bank offer online banking?” Yet, when a banking customer says “offers online banking” is a 10—it’s very, very important—it isn’t the same as a customer saying he or she presently has a problem with it, or that no brand currently offers it. In fact, many of the characteristics most important to buyers are the basic needs and requirements of a product or service—and are already addressed by every brand in the category. They’re the price of entry for doing business in a particular segment. They offer no special insights for potential breakthrough brand positioning, products and services, or customer satisfaction programs. We imagine many marketers look at research reports with these kinds of findings and think, “tell me something I didn’t already know!” and fall in line with the current thinking that buyers just won’t tell you what they need and want, so what’s the point of doing serious research anyways?

And then, of course, we have America's most popular research tool: focus groups. These days groups come fully loaded with high-end options including: hypnotized respondents; five-hour "conviviality sessions"; marketing managers sitting in, having dinner as a group of buyers talk; free hamsters for creative respondents, etc. Focus groups were originally intended as a tool for generating hypothesis and learning the language of buyers in a product category, for testing out the findings of quantitative research, or for bringing the findings of quantitative research to life—seeing, hearing, and engaging in conversation actual members of market segments, for instance. Too often, however, they're used as the only form of research a company does. Focus groups are to serious research what bumper stickers are to Cartesian philosophy. No matter how many of them are done, the resulting data is not reliably predictive of behavior of the general buyer population. You get verbatims, not facts. Because of misuse, "exasperation with focus groups, while not universal, is growing," as *Businessweek* recently reported, and the good name of marketing research gets dragged through the mud in the process.

Probably the biggest criticism of research, however, is that so much of it is just not actionable. As the senior director of consumer insights and intelligence for Motorola told *Marketing News*, "It's one thing to look at data and tell me that it's statistically valid, and it's another thing to also make sense." Consider all the resources invested in dividing a particular buying population up into differ-


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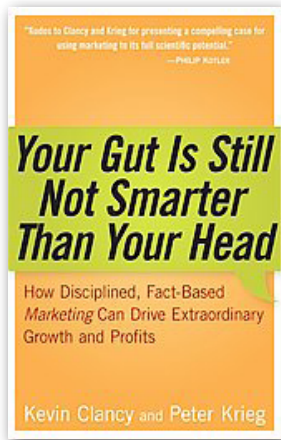
ent segments. According to a recent Economist Business Unit and Marakon Associates study of senior executives of large companies, just about 60% had conducted a major market segmentation exercise within the past two years, yet just 14% said they derived any value from it. Why? CEO and CMO after CEO and CMO tell us that it just isn't helpful—they can't do anything with it. The research effort might yield some interesting groups, but they can't figure out which ones are especially open to a brand, are highly profitable, and have needs which we can understand and address. And like a ghost, the group isn't easily identifiable in a media database, so forget about more efficiently pinpointing the best combo of TV, radio, print, etc.

Given these problems, it's really not all that surprising that so much of the research that gets done today ends up gathering dust on a bookshelf a few rows down from the dog-eared copy of *Blink*. Having research, data, and information is very different than having good research, data and information—and by “good” we mean, at the very least, representative, thoughtfully analyzed, and relevant to decision-making. Just as the argument that intuition is good, except when it's not, holds for hunch marketing, so too does research is good, except when it's not, for more fact-based marketing. Neither alone is the perfect solution.

THE PERFECT PAIRING: PERSONAL JUDGMENT AND UNIMPEACHABLE DATA

For all the hype and attention, “the power of intuition” to transform a bit player to an industry leader, to grow sales and profits beyond a board of directors wildest dreams is the biggest myth in American business today. For more than twenty years, intuition has been in the ascendency at the highest level of corporate management, and its track record has been poor. Peel away the onion a bit and the heroic tales of going on gut feeling alone turn out to be much less the stuff of business legend than they first appear—reports of terrific performance are more often than not greatly exaggerated just as the role of research, business experience, and the market knowledge of the individual are often minimized for effect.

When it comes to making business decisions, nothing beats a balance of personal judgment and seasoned experience with careful analysis of unimpeachable data. Judgment and experience allow you to see what should be present but is not. Though we’d never say research is uniformly perfect, it is infinitely easier to meet the criteria required for unimpeachable data than it is to improve intuitive capabilities—only time and professional experience supposedly improve business instinct, and even that’s often hard to prove. This truism applies as equally to operations management and finance as it does to corporate strategy planning and, importantly, marketing. The balance is the key. 



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Get more details or buy a copy of Clancy and Krieg's [*Your Gut is Still Not Smarter Than Your Head.*](#)

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