

Five times you shouldn't trust your gut as a leader

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[Euan Black](#) Work and careers reporter

The numbers told Gayle Dickerson to shut down the business. But this time she didn't listen.

Something more powerful told the national leader of restructuring for KPMG Australia to find a buyer for the e-commerce business instead.

Dickerson had a feeling in her gut.

"If you just looked at the balance sheet and the assets, you would shut it down," says Dickerson, who was tasked with restructuring the company after an overseas shareholder withdrew its funding.

"But I [looked at] the management team and the value of what they had created, and it [made me think] we can get a deal over the line."



Gayle Dickerson says her intuition has helped her assess the capabilities of management teams. Australian Financial Review

Having done this work for more than 20 years, Dickerson says she trusted her gut to find a buyer because she was confident the management team had the skills and energy to turn things around.

Data is important, she says, but relying on intuition can be useful when you're dealing with imperfect information and you need to make rapid decisions. And her bet paid off.

Two years later, the company is still in business and employs about 150 people. It's an example of how business leaders [sometimes know what to do but can't explain why](#).

Or, as UNSW professor Joel Pearson might put it, it's an example of "the learnt, productive use of unconscious information to improve decisions or actions".

That's Pearson's definition of intuition – something the neuroscientist who has worked with Google, KPMG and Macquarie has been studying for more than a decade. His new book, *The Intuition Toolkit*, offers a practical guide on when to use it.

Breaking the intuition ‘taboo’

Pearson says he partly wrote the book so that business leaders who relied on their intuition to make decisions would no longer feel like they had to hide the fact. He wanted to show that intuition was not emotional thinking or a cognitive bias, but a legitimate and powerful tool if used in the right way.

“I’d say [to business leaders], ‘Do you talk about [using your intuition] to the board? Or do you ever mention it publicly?’ And they would say, ‘Oh god, no. I can’t talk about that. It’s too woo-woo,’” Pearson tells *BOSS*.

“That was one of the reasons behind the book ... to bring intuition into the mainstream and move it away from this taboo topic.”

Pearson may have achieved his aim when his Future Minds Lab at UNSW became the first in the world to develop an experiment which showed that intuition was real and could be measured scientifically.

The test, detailed in the book, was “the first lab-based demonstration that unconscious emotional information can be used for decision-making”.



https://youtu.be/H_WYbvkWOa8

Separate research by Laura Huang, an associate professor of business administration at Harvard Business School, [has also found that gut feelings can be useful](#) – “especially in highly uncertain circumstances where further data gathering and analysis won’t sway you one way or another” – and are [not diametrically opposed to data-driven reasoning](#), as some people make out.

A common example of intuition is when you visit a new restaurant or cafe – something you’ve probably done hundreds of times – and suddenly get a bad feeling about the place and decide to leave. That feeling is derived from your brain unconsciously processing hundreds of data points and determining, based on past learning, that a combination of the temperature, the decor, the music, the smell, the menus and the general cleanliness predicts bad coffee, bland flavours or unsafe food.

“We know of two primary ways to access and use unconscious information. One is to feel it, the classic gut-feeling definition of intuition,” Pearson writes in his book. “The other is to let your body directly take action, a physical action, such as running left, running right, passing the ball, or pulling up on the throttle of a Skyhawk jet fighter.”

In the business world, intuition can help a highly experienced recruiter choose between two candidates, or empower a chief executive to proceed with an acquisition, or guide a restructuring expert like Dickerson to look past an unfavourable balance sheet and focus instead on the strengths of the management team.

Five times not to use your intuition

Pearson's research shows there are five times when our intuition can't be trusted, though. He calls the misfiring of intuition "misintuition", and devised the acronym SMILE to capture the five scenarios to watch out for.

The "S" stands for self-awareness. This is because we should not use intuition when we're feeling overly emotional, either positive or negative, because this can lead us astray. Pearson writes in the book that our emotions drown out our intuition like loud music at a party makes it difficult to hear a conversation.

"M" is for mastery, which reminds us to only use intuition in areas where we have a lot of experience because the unconscious learning that powers intuition is context-specific.

"Even things you practise over and over in an office won't fully generalise to your home office, let alone when you're on the road and travelling for meetings overseas," Pearson says. "So you have to keep in mind that these things are specific."

"I" is for impulses and addictions because impulsive desires should not be mistaken for intuitive insights. An impulse is an "innate reflex", like when a salmon swims upstream to spawn, whereas intuition is learnt. And while the draw towards something addictive, such as alcohol, social media or gambling, is also an internal feeling, it is not intuition.

"L" is for low probability, a reminder that humans are intuitively bad at understanding probability and therefore must not use their intuition for probabilistic judgments.

And "E" is for environment because our intuition is reliable only when we are operating in a familiar context.

"The bulk of everything your brain processes is unconscious, and so a good way to think about intuition is learning to tap into that vast reservoir of information," Pearson sums up.

"The key is, how can you know when to trust it and when not to trust it? And that's when the [five] rules come in."