



Intuitive managerial thinking; the use of mental simulations in the industrial marketing context

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ABSTRACT

In this paper, we introduce empirical evidence showing how mental simulation was used as a heuristic strategy in an industrial network context. The mental network simulations observed are consistent with the Recognition-Primed Decision (RPD) model, according to which intuitive thinking allows managerial experience to be translated into focal network action, without resorting to a “rational” or comparative decision strategy. We identify the main business significance of mental network simulations in terms of their utility to clarify ambiguous or only partially known focal network situations, to develop coherent focal net plans and tactics, and to mentally preview how specific focal net tactics/strategies are likely to play out in reality. In short, mental network simulations were observed as being useful in generating focal net action through cognitively meeting the complex environmental challenges in dynamic focal net interaction between companies.

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1. Introduction

The intuitive mind is a sacred gift and the rational mind is a faithful servant. We have created a society that honours the servant and has forgotten the gift. — Albert Einstein

The deployment of cognitive strategies clearly has a profound influence on business outcomes, although being conditioned by social, organisational, inter-organisational, and other factors. Yet, in terms of themes that have been addressed in management research, managerial cognition has been the poor relation. One of the main reasons for this neglect is that knowledge structures and cognitive processes underpinning managerial judgment are notoriously difficult to research. Nowhere in social science is it clearer that the consciousness of the subject provides both insights and barriers to understanding (Runkel & McGrath, 1972). The relative lack of progress in this field of cognition is also related to much of the research being laboratory based (Löwstedt, 1993), which largely excludes the investigation of domain specific expertise and suggests limited application to actual decision making in organisations (e.g. Klein, Orasanu, Calderwood, & Zsombok, 1993; Lipshitz, Klein, & Orasanu, 2001). In addition, there

has been a tendency for cognitive research to focus on the heuristic flaws of intuitive thinking, as opposed to the intuitions of experts (Klein, 2004; Dane & Pratt, 2007).

However, in recent research on expert decision making, models have been developed explaining how intuitive cognitive structures can allow for recognition-primed response to match complex environmental challenges (Dreyfus, 1982; Klein, 1988; Klein et al., 1993; Klein, 1999; Lipshitz et al., 2001; Klein, 2004). In this stream of research, mental simulation has been identified as a central cognitive mechanism that facilitates the translation of managerial experience into judgment and action (Klein & Crandall, 1995; Klein, 1999, 2004). In particular, in the Recognition-Primed Decision (RPD) model (Klein, 1988, 1997) experienced decision makers have been conjectured to form decisions through a combined use of mental simulation and intuitive thinking, and in more familiar situations through entirely relying on recognition-primed intuitive processes. The main significance of the RPD model stems from its attempt to explain how proficient decision makers can often reach good decisions without analytically comparing the strengths and weakness of various options (cf. satisficing: Simon, 1955). And importantly, the cognitive processes described by the RPD model tend to be preferred to analytical cognitive strategies under conditions of experienced participants, time pressure, ill-defined problems, and in dynamic contexts (Klein, 1999).

As the industrial network context often has many of these context characteristics (Axelsson & Easton, 1992; Håkansson & Snehota, 1995; Ford, Håkansson, Snehota, & Gadde, 2002), it can be argued that mental simulation and recognition-primed cognitive strategies would

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be prominently featured in this field. Accordingly, when used in this context, we define “mental network simulation”, as the cognitive process of focal net story building or mental manipulation of network images. As the primary utility of knowledge structures for businesses lies in their ability to generate action (Weick, 1990), an improved understanding of mental simulation and recognition-primed cognitive strategies can be seen as particularly relevant in the context of the recent cognitive turn in industrial marketing management research.

In this paper we seek to elaborate and to explain in detail how mental simulation, nested in recognition-primed intuitive thinking, is used as a cognitive strategy in the industrial network context. To access real-life domain specific manifestations of industrial marketing decision making and expertise, the research in this paper was conducted in actual organisational field settings. Following an inductive research design, we were fortunate to record a sales meeting, where a manager was thinking through a series of industrial network issues, providing us with an entirely natural, and possibly unique data set. As a result of these recordings we are able to provide new insights into the ways in which mental simulation was deployed as cognitive strategy in focal net decision making. We identify the main business significance of “mental network simulations” in terms of their utility to clarify ambiguous or only partially known focal network situations, to develop coherent focal net plans and tactics, and to mentally pre-view how specific focal net tactics/strategies are likely to play out in reality. In short, mental network simulations were observed as useful in generating focal net action, by cognitively matching the complex environmental challenges in dynamic focal net interaction between companies.

The paper begins by briefly reviewing the limited literature reporting research on managerial cognition in the industrial marketing field that concentrates almost entirely on the content of knowledge structures. We then proceed to assess the history of primarily laboratory based psychological research on decision making where intuitive thought was often seen to fail to meet a decision theory model of rational thinking. In the following three sections we introduce the cognitive paradigm Naturalistic Decision Making (NDM), and in particular the work of Klein (2004), to discuss the role of the Recognition-Primed Decision (RPD) model, and introduce the notion of mental simulation as one cognitive process that experts use under particular circumstances. The research method and context are then described. The results of the analyses are then set out and discussed. The paper ends with implications of the findings for both researchers and managers.

2. Managerial cognition in industrial marketing research

The analysis of cognition is a relatively new theme in mainstream industrial marketing research, but its relevance has been increasingly recognized over the past few years. For example, Welch and Wilkinson (2002) have argued that knowledge structures should be seen as a central theme in industrial marketing research, alongside activity links, actors bonds, and resource ties as described in the ARA-model (Håkansson & Johanson, 1992). Similarly, Ford, Gadde, Håkansson, and Snehota (2003: 176) have recently introduced the concept of “network pictures” as a cognitive component of industrial network management, formally defined as “the views of the network held by participants in that network”. In general, the idea of network pictures stems from the network concept of industrial marketing, where business relationships are seen as inter-connected and interdependent of each other, forming heterogeneous relationships, which are both seen to constrain and enable industrial marketing management (Axelsson & Easton, 1992; Håkansson & Snehota, 1995; Ford et al., 2002).

While it may not have been the intention of the authors, the existing body of literature can be viewed as providing rich albeit indirect descriptions of the content aspect of industrial marketing/

network knowledge structures. In other words, these descriptions of industrial networks are assumed to be, if only partially, a reflection of the underlying managerial cognitive structures. Henneberg, Mouzas, and Naude (2006) have reviewed the industrial marketing literature and extracted a comprehensive list of knowledge structure content dimensions. The authors argued that to allow a more systematic and analytical study of network pictures the following content dimensions of the network should be emphasised: boundaries, directionality, power, time/task, environment, focus, actor/activities/resources, and centre/periphery. To test the validity of these dimensions, they elicited network pictures from managers, which were then taxonomically grouped into four categories, namely sphere, world, politics, and reductionist models. Mouzas, Henneberg, and Naude (2008) have further expanded the research into network pictures beyond individual managers, conceptualizing ‘network insight’ as the ‘amalgamation of dispersed pieces of atomized network pictures through heedful, multilateral interactions’.

While a great deal has been written about the content aspect of knowledge structures, Walsh (1995) has argued that knowledge structure research should go beyond simply eliciting content aspects in various fields. Very little is known, as yet, about the underlying cognitive processes that underpin efficient managerial functioning in the industrial marketing context. Moreover, the elicitation process itself involves cognitive, and possibly affective, processes that may affect the validity of the assumption that they actually represent those structures and that those structures strongly influence their behaviour. In our research we seek to move our understanding of real-life “network management” beyond that provided by network pictures to answer questions related to cognitive processes.

3. The fall and rise of intuitive thinking

Intuitive thinking has been described variously as “acts of recognition” (Simon, 1996: 89), and “thoughts and preferences that come to mind quickly and without much reflection” (Kahneman, 2003: 697). It is common for experts to claim that they make intuitive decisions and equally common that they profess themselves incapable of explaining how they do so. For example managers use terms such as “gut feeling”, “feeling in my water” and “comes from years of experience” to describe the process. Sometimes this “explanation” may simply be a political act to hide either their real motives or the flaws in their logic. However Klein (2004) argues that it only seems that managers do not think or use previous knowledge and experience when intuiting. He describes intuition as the ability to “translate experience into action” (Klein, 2004). Experts’ inability to describe and justify their thought processes has led researchers and commentators in many fields to be suspicious of intuitive thought processes and expertise even though their apparent use by experts implies performance of a high order via intuition. As a result until quite recently much of the research into intuitive decision making has focussed on the flaws of intuition, and these have been meticulously documented as a set of heuristic biases. The research traditions of Behavioural Decision Theory (BDT), and the Judgment and Decision Making (JDM) school used normative models to judge decision quality in pre-framed problem solving (Lipshitz et al., 2001). In other words, deviations from “rational” decision making were made unambiguous in controlled decision settings.

Based on strong empirical evidence of the “biases” of naturalistic thinking, the lessons of “rationality” have been extensively prescribed for use in the more complex and more ambiguous realm of real-life decision making. For example, various authors have urged managers to avoid conditions under which managerial judgment and intuitive biases were prone to mislead decision makers. In addition, the prominent techno-rationalist school of thought has aimed to marginalize the role of intuitive thinking through the use of analytical tools and technical solutions. The most popular of these techniques is decision theory, which stipulates that to make a decision each option should

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