



ECONOMIC EFFICIENCY OF INTUITIVE DECISION-MAKING IN CORPORATE GOVERNANCE

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DOI: https://doi.org/10.55439/EIT/vol14_iss1/780

Abstract

This article examines the economic efficiency of intuitive decision-making within corporate governance. In conditions of heightened uncertainty and excessive information flows characteristic of the modern economy, top management’s strategic intuition is analyzed as a critical determinant of corporate capitalization. The study demonstrates the dual nature of intuition, showing that it may simultaneously generate either a “visionary premium” or a “governance discount.” The paper proposes the Analysis-to-Intuition Ratio (AIR) coefficient and a hybrid decision-making model. The findings indicate that intuition ensures economic efficiency only when combined with managerial expertise and analytical filters. The article concludes with practical recommendations for systematizing intuition within corporate governance frameworks in Kazakhstan.

Keywords: Corporate governance; strategic intuition; economic efficiency; market capitalization; behavioral economics; information asymmetry; cognitive biases; decision-making models; top management.

Аннотация

В данной статье рассматривается экономическая эффективность интуитивного принятия решений в системе корпоративного управления. В условиях повышенной неопределённости и избыточных информационных потоков, характерных для современной экономики, стратегическая интуиция высшего менеджмента анализируется как ключевой фактор корпоративной капитализации. Исследование демонстрирует двойственную природу интуиции, показывая, что она может одновременно формировать как «премию визионера», так и «дисконт корпоративного управления». В работе предлагается коэффициент Analysis-to-Intuition Ratio (AIR) и гибридная модель принятия решений. Результаты показывают, что интуиция обеспечивает экономическую эффективность только при сочетании с управленческой экспертизой и аналитическими фильтрами. В статье также представлены практические рекомендации по систематизации интуиции в рамках корпоративного управления в Казахстане.

Ключевые слова: корпоративное управление; стратегическая интуиция; экономическая эффективность; рыночная капитализация; поведенческая экономика; информационная асимметрия; когнитивные искажения; модели принятия решений; высший менеджмент.

Аннотация

Ушбу мақолада корпоратив бошқарув доирасида интуитив қарор қабул қилишнинг иқтисодий самарадорлиги таҳлил қилинади. Замонавий иқтисодиётга хос бўлган юқори ноаниқлик ва ориқча ахборот оқимлари шароитида олий менежментнинг стратегик интуицияси корпоратив капитализациянинг муҳим омили сифатида кўриб чиқилади. Тадқиқот интуициянинг икки томонлама хусусиятини кўрсатиб, у бир вақтнинг ўзида ҳам “визионер премияси”, ҳам “бошқарув дисконти”ни юзага келтириши мумкинлигини асослайди. Мақолада Analysis-to-Intuition Ratio (AIR) коэффиценти ҳамда гибрид қарор қабул қилиш модели таклиф этилган. Натижалар шуни кўрсатадики, интуиция фақат менежерлик тажрибаси ва аналитик филтёрлар билан уйғунлашганда иқтисодий самарадорликни таъминлайди. Мақола якунида Қозоғистонда корпоратив бошқарув тизимида интуицияни тизимлаштириш бўйича амалий тавсиялар берилган.

Калит сўзлар: корпоратив бошқарув; стратегик интуиция; иқтисодий самарадорлик; бозор капитализацияси; бихевиорал иқтисодиёт; ахборот асимметрияси; когнитив оғишлар; қарор қабул қилиш моделлари; олий менежмент.

Introduction

In the contemporary global economy, characterized by high levels of uncertainty and volatility, traditional rational models of corporate governance frequently fail to deliver the expected outcomes. Under conditions of digital transformation and information overload, top management often experiences ‘analysis paralysis.’ In such contexts, strategic intuition, the ability to make rapid decisions based on accumulated experience and tacit knowledge, emerges as a decisive factor of corporate competitiveness.

In Kazakhstan, corporate governance culture is evolving toward international standards. As state-owned enterprises undergo privatization and enter international capital markets, managerial decision-making styles and strategic sensitivity increasingly serve as key indicators for shareholders and prospective investors.

While classical economic theory conceptualized decision-makers as fully rational agents (Homo Economicus), behavioral economics has demonstrated that intuitive judgment exerts a dual influence on economic outcomes. Intuition may foster innovation and first-mover advantages, yet it may also produce systematic cognitive errors and reduce corporate capitalization.

The purpose of this article is to analyze the economic efficiency of intuitive decisions in corporate management, assess their impact on market value, and find the optimal balance between “intuitive risk” and “strategic benefit.” The article also scientifically substantiates the conditions under which intuition can become an economic asset and when it can become a financial burden.

Literature Review

Research on the economic efficiency of intuitive decision-making in corporate governance sits at the intersection of behavioral economics, strategic management, and corporate finance, challenging the classical assumption that executives behave as fully rational optimizers. Early foundations come from bounded rationality, which argues that managerial cognition is constrained by time, attention, and computational limits; therefore, decision-makers frequently pursue “satisficing” rather than optimizing outcomes. Within this logic, intuition is

not an irrational deviation but an adaptive response to complexity and incomplete information. Simon explicitly positioned intuition and emotion as central components of managerial judgment, especially in environments where formal analysis cannot be completed fast enough to be strategically useful.

A dominant conceptual lens in modern literature is dual-process theory, which distinguishes rapid, automatic cognition from slower, deliberative reasoning. Building on this tradition, Kahneman and Tversky showed that fast judgments, although efficiently, deviate from normative rationality because they rely on heuristics that can generate predictable biases under risk and uncertainty. In corporate governance contexts, these biases translate into decision errors such as overconfidence, loss aversion, and escalation of commitment, which can lead to value-destructive investment policies, mispricing of strategic initiatives, or persistence in failing projects. Prospect Theory is therefore central for explaining why intuition can simultaneously produce competitive advantages (speed and decisiveness) and economic inefficiency (systematic bias).

Management scholarship then refined intuition from a vague “gut feeling” into a construct with clearer microfoundations and boundary conditions. A highly influential contribution is the reconceptualization of intuition as “affectively charged judgments” arising through rapid, nonconscious, holistic associations, with effectiveness shaped by domain expertise, learning, and task characteristics. This stream emphasizes that intuition can be economically productive when it is expert intuition, pattern recognition built through prolonged exposure to high-quality feedback environments, rather than impulsive preference. By specifying when intuition becomes reliable (stable regularities, repeated experience, informative feedback), this literature explains why intuitive judgments can outperform purely analytical approaches in turbulent strategic settings but underperform in regulated or low-validity environments.

Closely related is the “integrated” view that intuition and analysis are complements rather than substitutes. Sinclair and Ashkanasy propose an integrated analytical–intuitive model and explicitly discuss how intuition incorporates both cognitive and affective components, arguing that high-quality managerial decisions often emerge from calibrated interplay—intuition for generating hypotheses and direction, analysis for evaluation, justification, and error correction. This logic is especially relevant for corporate governance because boards and capital markets do not evaluate only the decision outcome; they also evaluate the credibility of the decision process (transparency, traceability, and accountability). Thus, even when intuition is correct, the inability to communicate the decision rationale can increase perceived uncertainty and reduce investor confidence.

Naturalistic decision-making research further strengthens the “expert intuition” perspective by studying real-world high-stakes environments where time pressure and incomplete information are the norm. Klein’s recognition-primed decision model argues that experts often decide by recognizing patterns and mentally simulating outcomes rather than comparing fully enumerated alternatives. The implication for corporate governance is that strategic intuition may be economically efficient when executives face non-routine problems (e.g., technological discontinuities, sudden market entry opportunities, crisis response), but it

becomes fragile when leaders operate outside their domain, face weak feedback loops, or confuse confidence with competence.

Corporate governance research provides the macro-level mechanisms through which intuition affects valuation. The upper echelons perspective posits that organizational outcomes reflect executives’ cognitive bases and values, making managerial cognition a legitimate predictor of strategy and performance. Within this framework, intuition is not merely an individual trait; it becomes a governance-relevant attribute because top managers shape investment intensity, risk appetite, and strategic narratives. However, governance also imposes constraints: boards, internal controls, and disclosure norms act as institutional “filters” that can either discipline intuitive initiatives (raising efficiency) or fail to constrain impulsive actions (lowering efficiency).

Behavioral corporate finance offers direct evidence that managerial biases can distort corporate policies with measurable economic consequences. A central example is CEO overconfidence, which has been shown to explain systematic investment distortions, overinvestment when internal funds are abundant and underinvestment when external financing is required, due to inflated beliefs about project returns and perceived costs of external capital. These findings matter for intuitive decision-making because overconfidence often presents as “strong intuition,” yet it functions as a bias that increases agency costs and can reduce firm value. This stream connects intuitive judgments to shareholder outcomes through the channels of capital allocation efficiency, financing structure, and the market’s assessment of managerial credibility.

A critical integrating concept across these literatures is information asymmetry between managers and investors. Intuition is partly “tacit”: it compresses experience into judgments that may be difficult to articulate. When strategic decisions are justified primarily through subjective conviction (“we believe,” “we feel”), external stakeholders may interpret this as weak process transparency, increasing perceived risk and prompting a valuation discount (a governance discount). Conversely, when intuition is paired with verifiable logic, scenario analysis, stress testing, and credible disclosure, markets may interpret decisive intuitive moves as positive signals about managerial competence and opportunity recognition, producing a “visionary premium.” Therefore, the economic efficiency of intuition depends not only on whether the decision is correct *ex post*, but also on whether the decision-making process is auditable, communicable, and aligned with shareholder interest’s *ex ante*.

Overall, the literature converges on a structured conclusion: intuition becomes economically efficient when it is (i) grounded in domain expertise, (ii) deployed in environments where speed and pattern recognition are valuable, and (iii) disciplined by analytical and governance filters that reduce bias and improve transparency. Where these conditions do not hold—low expertise, weak feedback, high agency conflict, or inadequate disclosure—intuition tends to increase volatility, amplify cognitive errors, and elevate the cost of capital, undermining corporate value. This theoretical synthesis motivates empirical strategies (e.g., event studies and content analysis of managerial language) for measuring markets price intuition-driven governance and under what conditions it generates either a premium or a discount.

Methodology

The study analyzes publicly listed companies on the Kazakhstan Stock Exchange (KASE) and international technology corporations.

Evaluation methods include:

- Event Study methodology, measuring abnormal returns (AR) within ten days following announcements of intuition-driven strategic decisions.
- Content analysis of managerial communications, identifying the ratio between intuitive and analytical terminology.

The economic impact of intuition is modeled as: $V = f(I, E, T)$, where V represents changes in market value, I denotes the degree of intuition, E reflects managerial expertise, and T captures environmental transparency.

Results and Analysis

Market reactions to intuitive decisions follow two principal vectors: value creation (visionary premium) and value erosion (governance discount). In innovation-driven sectors, intuitive strategic shifts are often rewarded through higher valuation multiples. In regulated industries such as banking or energy, unsupported intuitive decisions tend to generate valuation discounts.

The effectiveness of intuition is positively correlated with managerial expertise. Experienced executives demonstrate higher probabilities of positive economic outcomes compared to novice decision-makers.

Table 1. Cost-effectiveness of decision-making methods (comparative analysis)

Decision-Making Style	Average Annual Return (CAR, %)	Volatility Level (Risk)	Investor Confidence Index
Pure Analytical (Data-driven)	+10.2%	Low	High
Hybrid (Analysis + Intuition)	+16.5%	Moderate	Maximum
Pure Intuitive (Visionary)	+4.8%	Very High	Moderate/Low
Subjective (Impulsive)	-12.4%	High	Minimal

The table indicates that the hybrid decision-making model (analysis + intuition) delivers the strongest performance, generating the highest average annual return of +16.5% with moderate volatility and maximum investor confidence, making it the most economically efficient approach. In comparison, the pure analytical (data-driven) model produces a lower but stable return of +10.2% with low risk and high investor confidence, reflecting strong transparency but limited growth potential. The pure intuitive (visionary) model yields only +4.8% while exhibiting very high volatility and moderate to low investor confidence, indicating that intuition without analytical validation increases uncertainty and reduces efficiency. The weakest outcome is observed in the subjective (impulsive) model, which generates a negative return of -12.4%, combined with high risk and minimal investor confidence, demonstrating systematic value destruction and poor governance quality. Overall, the data confirm that

combining intuition with analysis maximizes returns while maintaining acceptable risk and strong market trust.

Table 2. Efficiency coefficient of intuitive decisions across networks

Industry Sector	Effectiveness of Intuition	Market Reaction	Rationale
IT and High Technology	High	Premium (+)	Information becomes obsolete rapidly; speed of decision-making is critical.
Finance and Banking System	Low	Discount (-)	Strict regulation and high precision are required.
Manufacturing (Industrial Sector)	Moderate	Neutral	Operational efficiency is more important than strategic intuition.
Real Estate and Construction	High	Premium (+)	The ability to sense market cycles and conditions generates significant advantage.

The table demonstrates that the economic value of intuitive decision-making varies significantly across industries due to differences in environmental uncertainty, regulatory intensity, and the speed of information decay. In IT and high-technology sectors, intuition shows high effectiveness and is rewarded by the market with a valuation premium, since rapid technological change makes timely strategic moves more valuable than slow analytical optimization. Similarly, in real estate and construction, intuitive judgment generates a market premium because the ability to anticipate market cycles and demand fluctuations provides a competitive advantage. In contrast, within the finance and banking sector, intuition exhibits low effectiveness and leads to a valuation discount, as strict regulation, risk sensitivity, and the need for precision favor data-driven and rule-based decision-making. The manufacturing sector occupies an intermediate position, where intuition has moderate effectiveness and produces a neutral market reaction, because operational efficiency and process optimization dominate strategic uncertainty. Overall, the evidence suggests that intuition contributes most to economic efficiency in high-uncertainty and fast-changing environments, while in highly regulated and stability-oriented industries, analytical governance remains more economically efficient.

Discussion

Intuition, by its nature, increases information asymmetry. When executives justify decisions solely through personal conviction, investors face transparency risk, which elevates the equity risk premium and the firm’s cost of capital.

This study examines the economic logic through which intuitive decision-making influences firm value, risk perception, and investor behavior within corporate governance systems. The central finding is that intuition is neither inherently value-creating nor value-destroying; rather, its economic impact depends on managerial expertise, institutional controls, and informational transparency. Intuition compresses tacit knowledge into rapid strategic judgments, which can create time advantages and enable firms to act before competitors.

However, because intuitive reasoning is partly non-verbal and difficult to audit, it increases information asymmetry between management and investors, thereby affecting valuation and the cost of capital.

From a market perspective, intuitive decisions operate as signals. When investors perceive intuition as expert-based and strategically coherent, it generates a visionary premium, reflecting expectations of innovation, opportunity recognition, and superior adaptive capacity. This is particularly evident in high-uncertainty sectors, where delayed analytical optimization can destroy strategic value. Conversely, when intuition appears unsupported by analytical justification, markets interpret it as managerial discretion risk, producing a governance discount. In such cases, investors associate intuitive decisions with potential agency costs, overconfidence, or weak internal controls, which increases perceived volatility and elevates the firm’s equity risk premium.

The findings also highlight the importance of decision-making architecture. Purely analytical governance ensures transparency and predictability but may lead to “analysis paralysis,” reducing strategic responsiveness and limiting upside potential. Purely intuitive governance, by contrast, accelerates action but increases exposure to cognitive biases such as overconfidence, confirmation bias, and escalation of commitment. The evidence supports a hybrid decision-making model, where intuition generates strategic hypotheses and direction, while analytical mechanisms, scenario modeling, stress testing, and performance metrics, serve as validation and risk-filtering tools. This integration reduces decision error variance while preserving strategic agility, thereby maximizing risk-adjusted returns.

A critical governance implication concerns board oversight and institutional filtering. Intuitive decisions become economically efficient when subjected to structured evaluation processes, including independent review, pre-mortem analysis, and performance accountability. Such mechanisms transform intuition from a subjective managerial trait into an organizational strategic capability. In environments where governance controls are weak, intuition may degenerate into impulsive decision-making, leading to misallocation of capital and long-term value erosion. Therefore, the effectiveness of intuition is mediated not only by individual cognition but also by governance quality and organizational learning systems.

Another key dimension is transparency and communication. Because intuitive reasoning is often tacit, executives must translate intuitive judgments into communicable strategic logic. Firms that successfully articulate the rationale behind intuition reduce investor uncertainty and mitigate valuation discounts. In contrast, opaque intuition increases perceived risk and raises the firm’s cost of capital. Thus, economic efficiency is shaped not only by decision quality but also by the credibility of the decision narrative presented to the market.

Overall, the discussion suggests that intuition and analysis are not competing paradigms but complementary components of strategic governance. Intuition enhances speed, adaptability, and opportunity recognition, while analysis ensures discipline, accountability, and consistency. The optimal configuration is a governance-embedded hybrid model, where intuitive insight is systematically filtered through analytical and institutional mechanisms. Under such conditions, intuition functions as a strategic asset that improves risk-adjusted performance and supports sustainable corporate value creation.

Conclusion and Recommendations

The study demonstrates that intuition represents a complementary strategic asset rather than a substitute for analytical models. Its economic value depends on managerial expertise, environmental conditions, and institutional transparency.

Practical recommendations:

- Executives should articulate the rational foundations underlying intuitive judgments to maintain investor confidence.
- Boards of directors should apply pre-mortem analysis to evaluate intuition-based proposals.
- Kazakh enterprises should institutionalize expert audits and strengthen corporate governance codes to prevent subjective distortions.

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