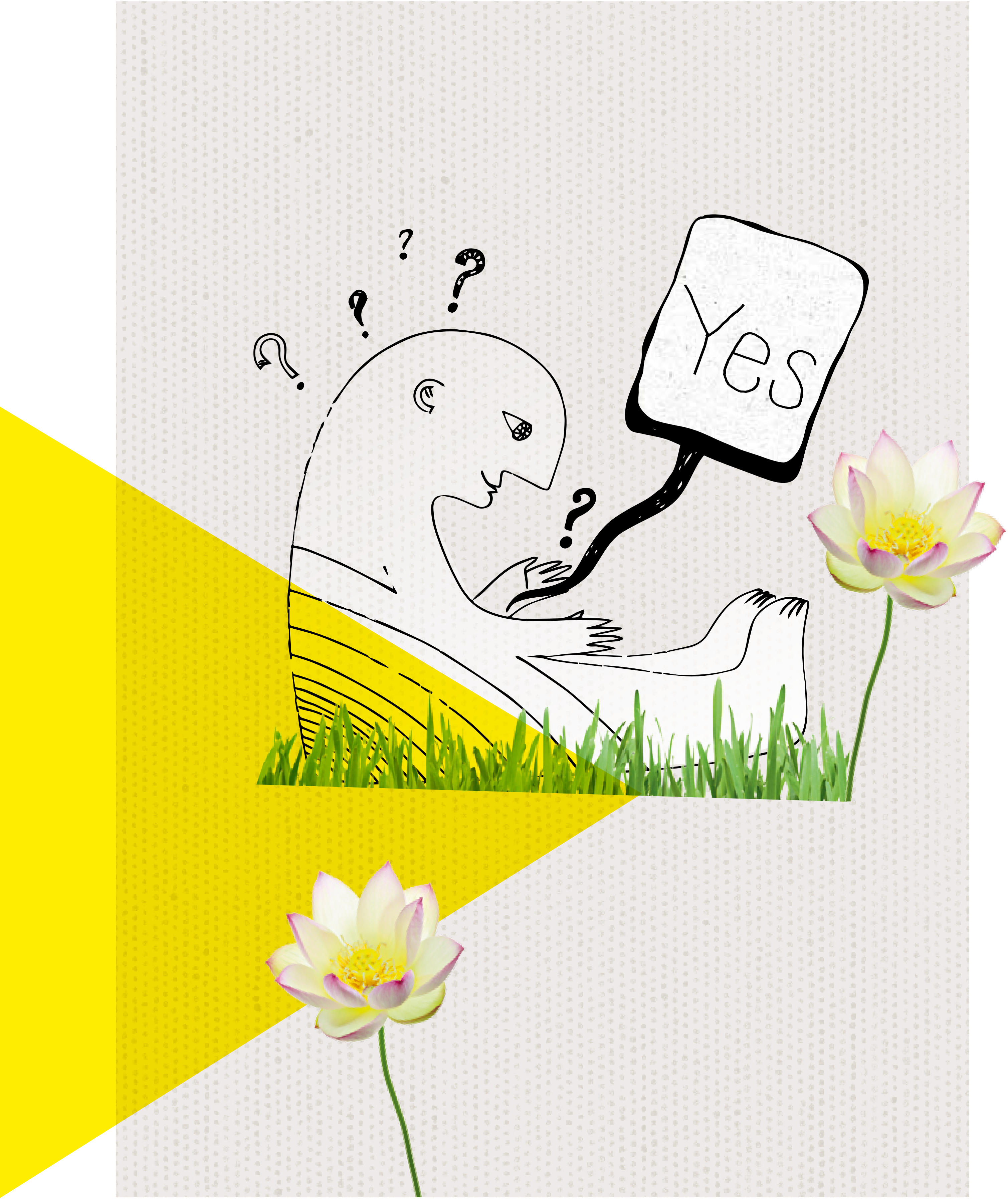
Yes

Feels Right … Go Ahead? When to Trust Your Feelings in Judgments and Decisions

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General advice on decision-making in a business context usually suggests collecting all relevant information on a topic, then carefully balancing the pros and cons, and deciding based on the outcome of this analysis: Good decisions flow from a rational analysis. Managers and business students are trained to mistrust their subjective feelings, which are portrayed as misleading and are instead encouraged to provide ''objective'' arguments for their decisions.

But what seems to be crystal clear to rational minds at first glance is being challenged by new research on the role emotions play in decisions, negotiations and forecasts. This research shows that subjective feelings are an integral part of many judgements and decisions and can even lead to ***improved*** decisions and better predictions.

Rather than making decisions on the basis of a rational assessment of potential outcomes, people often rely on how different options make them feel. This is especially the case when people see a connection between the judgment or decision to be made and the feelings that they have. In a consumer context this happens, for instance, when products are purchased for fun (like a book to read at the beach) rather than for functional purposes (like a textbook one buys to prepare for an exam). In relationships this happens when people evaluate whether to go out with someone or whether to have some friends over for dinner. People also tend to rely on their feelings whenever their ability to process information is reduced, for example, under time pressure, distraction or overabundance of information.

THE TRUST-IN-FEELINGS MANIPULATION

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In this procedure, participants are divided into two groups and subtly encouraged or discouraged to rely on their feelings.

> The high trust-in-feelings group is asked to think of **two** instances in which they trusted their emotions when making a decision and the outcome was favorable. Because it is relatively easy for most people to think of a few such instances, this group tends to infer that their feelings are trustworthy and rely on these feelings.

> The low trust-in-feelings group is asked to recall **ten** such instances. Because it is typically difficult to think of many such instances, this group tends to infer that their feelings are not to be trusted and avoid relying on these feelings.

This procedure has been shown to change people's trust in and reliance on feelings without changing people's involvement in tasks, their mood or confidence in their own judgment.

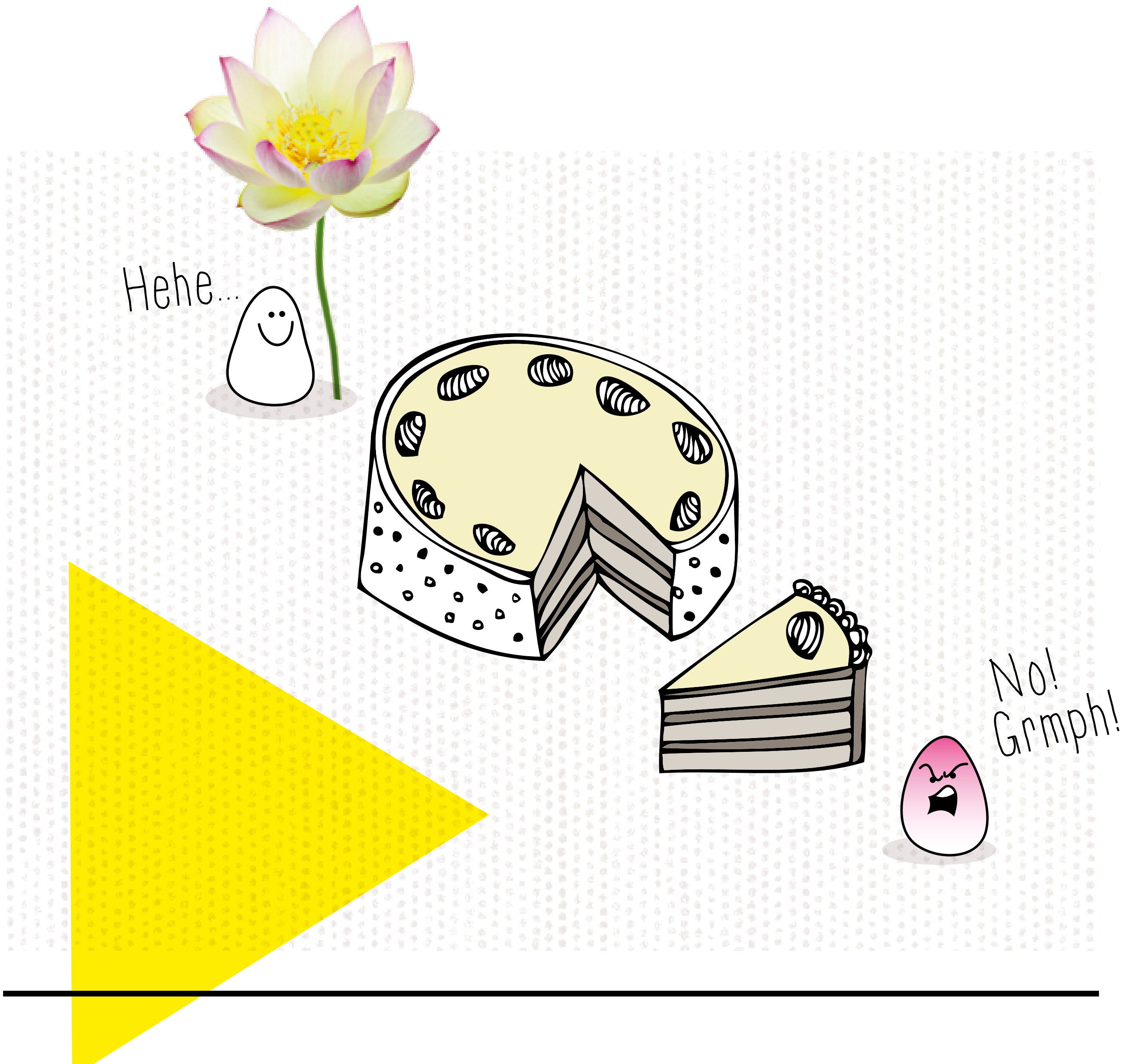
Reliance on feelings also depends on how much individuals trust in what they feel. People who believe that their feelings generally point them toward the "right direction" in a decision or prediction are more inclined to rely on it. Such trust is learned from a history of success and failure in reliance on feelings and from what is considered right in the person's social and cultural environment. Advice ranges from "always follow your heart" to "the heart has its reasons of which reason knows nothing". However, by manipulating individual success and failure histories, the level of trust in feelings can be experimentally altered. And this is exactly what Professor Michel Pham and his collaborators did to explore the role of feelings, using a novel research technique known as "the trust-in-feelings manipulation".

Feelings in negotiation /// To test the effects of relying on feelings in a business-like context, the researchers invited participants to play a classic negotiation game called the ultimatum game. In this game, two players have to split a sum of money. One player, the proposer, makes an offer that the other player, the responder, either accepts or rejects. If the responder accepts the offer, the money is split accordingly; if the responder rejects the offer, both players receive nothing.

In one experiment proposers received the trust-in-feeling treatment before playing the game against supposedly real online responders – in fact a preprogrammed computer. "The results were intriguing", Pham says. "The participants who were encouraged to trust their feelings offered somewhat less money than those who did not trust their feelings, but their offer still fell in a range that was likely to be accepted. As a result, participants who trusted their feelings ended up making more money than those who did not trust their feelings." Those who trusted their feelings apparently selected their offer based on whether the amount "felt right" given the situation rather than on the probability that it would be accepted or rejected.

In another experiment, the researchers administered the trust-in-feelings manipulation to responders in the ultimatum game. The results showed that high trust in feelings amplified the tendency to reject unfair offers but did not attenuate the high probability of accepting fair offers. According to Pham, "while at first glance it may seem irrational to reject any offer, however small, in the long run the tendency to reject unfair offers but accept fair offers helps negotiators by signaling to the other party that one cannot be taken advantage of."

Thus, a high level of trust in feelings guides decision-makers to do whatever "feels right," even if it contradicts short-term economic arguments or is against immediate material self-interest. Relying on such emotional instincts may also simplify the negotiation process. "When the participants were primed to trust their feelings, they saw the negotiation in simpler terms, rather than as a complex, strategic task", Pham explains. Interestingly, negotiators who were guided by their emotions did not fare worse than the others financially: "Under different versions of the ultimatum game, they ended up with more money than their calculating counterparts, suggesting that emotional decision-making may be not only simpler but also more lucrative."



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Participants who trusted their feelings ended up making more money than those who did not trust their feelings.
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Feeling the future /// Emotions are not only relevant in negotiation contexts but also in forecasting future events. In another series of experiments, the researchers invited participants to predict the outcome of a variety of future events, including the 2008 U.S. Democratic presidential nominee, the box-office success of different movies, the winner of the television show American Idol, movements of the Dow Jones Index, the winner of a college-football championship game, and the weather. Again, they used the trust-in-feelings manipulation to vary high and low levels of trust in one's feelings.

Across the whole range of events to be predicted, the results were remarkably consistent. People with higher trust in their feelings were more likely to predict the eventual outcomes compared to low trust-in feelings groups or control groups who did not undergo any treatment (see Figure 1).

FIGURE 1:

Prediction accuracy of people with high and low trust in feelings

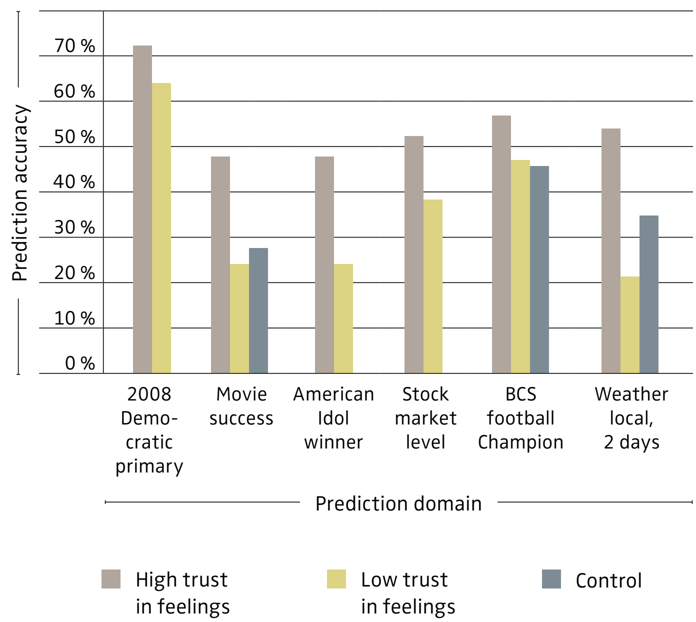
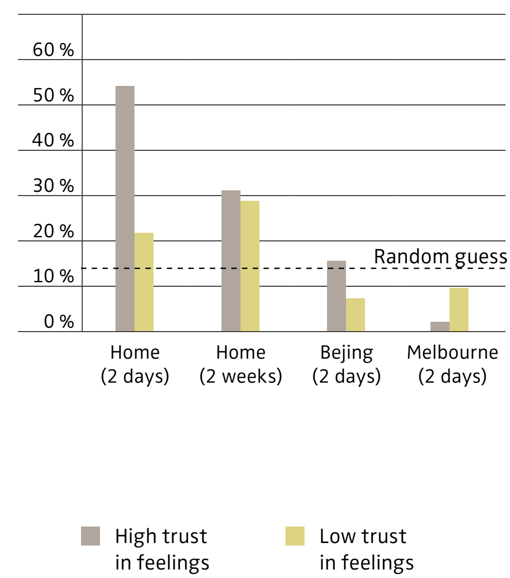


FIGURE 2:

Proportion of participants who correctly predicted the various weather conditions



> In the case of the Clinton-Obama contest, high-trust respondents correctly predicted Obama about 72 % of the time compared with low-trust respondents, who predicted Obama about 64 % of the time. This was a particularly striking result because at the time of the experiment the eventual winner was far from certain: All major polls reflected a very tight race between Clinton and Obama.

> For the winner of American Idol, the difference was even more pronounced: 41 % of high-trust respondents predicted correctly who of the two finalists would win compared with 24 % for low-trust respondents. (The fact that accuracy was still below 50 % is due to the fact that the actual winner of that season was particularly surprising.)

> When individuals were asked to predict what the weather in their own ZIP code would be in two days, those with high trust in their feelings did so correctly 54 % of the time, compared with 21 % of the time for individuals with low trust in feelings.

> Even in the context of the stock market – an area where rational analysis and thinking is the dominant paradigm – emotions worked well. High-trust individuals made predictions that were roughly 30 % closer to the levels the Dow Jones actually achieved than low-trust individuals at two different points in time: a rather volatile period in March 2009 and in fall 2010, a period of economic recovery.

As a follow-up, the researchers tested whether the "emotional oracle" effect works universally: They found clear evidence that this is not the case. Indeed, preconditions seem to exist for feelings to function as powerful predictors:

> For the weather, participants with high trust in feelings made better predictions for a two-day horizon but not for a two-week horizon. Hence, the researchers conclude that the outcome needs to be inherently predictable. The phenomenon tends to dissipate when the criterion can be regarded as unpredictable in general.

> People who trusted their feelings were able to better predict their local weather but not the weather in a distant foreign location. And only participants who knew enough about college football were better able to predict the winner of the championship game if they trusted their feelings. When people's domain knowledge was insufficient, the effect disappeared. Therefore, a certain level of domain knowledge seems to be necessary for feelings to work. The more this knowledge is general and acquired over time, the better. Restricted or "local" knowledge about particular aspects of the objects seem to be of little or no help in the prediction.

Feelings represent relevant knowledge – often but not always /// But why do people who trust in their feelings score consistently higher? This is because feelings seem to summarize large amounts of information about the world around us. This information is not as readily available in our mind as hard facts but rather lies in the background of our conscious attention. Thus, "our feelings provide us a 'privileged window' into all we tacitly know about the environment around us", Professor Pham explains. "In negotiation situations like the ultimatum game, feelings give us an intuitive sense of what level of offer is about right and what level of offer is too high or too low." Pham goes on to note that feelings also summarize statistical relationships among things that, on the surface, may seem disconnected. "It is these statistical relations that make more probable futures feel more right than less probable futures", he says.

However, the researchers warn that you should not always trust your feelings. "If you are not knowledgeable at all in a given domain, your feelings won't help you", Pham explains. He further advises on how to diagnose whether a particular feeling should be trusted. "If something 'feels right' to you for a particular reason that you can verbalize (e.g., 'This movie feels like it's going to be a success because Tom Cruise is in it'), this is usually not a good sign. This is because this feeling is a response to a 'local' part of your knowledge (e.g., your attitude toward Tom Cruise). Feelings that tend to help are those based on your general knowledge, not those based on local knowledge. When feelings are based on your general knowledge, you usually can't articulate the specific source of your feelings."

In Pham's experience, decision-makers who decide based on feelings with little knowledge or only local knowledge usually get it wrong. "They are the ones that have led Western thinkers and leaders to prematurely discredit the value of feelings in judgment."

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