

: *How do social media impact decision making?*

by Dan Power

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Social media is increasing its penetration into our lives. These online technology tools help us use the Internet to communicate with friends and to share information and resources with our networks of contacts. Some evidence suggests the impact of social media on personal and managerial decision making can be extensive. Anecdotal evidence suggests social media are altering our opinions and influencing our choices. The impact may be on individual decisions by consumers or business decisions made by managers. We need to understand what is happening and how social media can and do influence us. What theories explain the manner in which real-time communications from other people in our social or professional network can alter our behavior?

Easy to use social media tools have increased connectedness exponentially. According to Metcalfe's law, the value of a telecommunications network is proportional to the square of the number of connected users (n) of the system. In 1993, George Gilder formulated Metcalfe's for social networks. He asserted we need to focus on the number of interconnected and interacting users and that the value of a social network increases exponentially as we add users to the network. Because of improved technologies, the value of social networks for individuals is increasing.

Theories related to more general communication, social and media phenomena should be explored to explain the consequences of an expanded use of web-based social media on decision making. Some of the theories that seem relevant include media richness theory, crowd behavior theory, crowd convergence theory, conformity theory, peer pressure theory, and communications saturation theory. One or some combination of theories from more traditional media environments may make some sense of the web-based social networking services that are connecting a broad range of people who share interests and activities. Also, we should explore the philosophy of the Web 2.0 vision that encourages and promotes social interaction and information creation and sharing.

According to media richness theory (Daft and Lengel, 1984), social perceptions, message clarity, and ability to evaluate others impact how media richness alters decision quality. Richer media facilitate social perceptions and perceived ability to evaluate others' deception and expertise. Tools like electronic mail and electronic conferencing facilitate communication clarity when participants have less task-relevant knowledge. According to a study by Kahai and Cooper (2003) impacts of mediating constructs on decision quality were found to depend on the levels of participant expertise and deception. In general, it was found that richer media can have significantly positive impacts on decision quality when participants' task-relevant knowledge is high. Moreover, effects of participant deception can be mitigated by employing richer media.

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Social media also create new forms of peer pressure that are more immediate and broader in scope than anything experienced in face-to-face situations. Peer pressure refers to the influence exerted by a peer group in encouraging a person to change his or her attitudes, values, or behavior. Both types of conformity discussed in the literature (Aronson et al., 2007) seem to occur in social networks. Informational conformity can have an impact on decision making because the decision maker turns to the members of his/her social network to obtain accurate information. Normative conformity may also bias decisions because the decision maker conforms in an effort to liked or accepted by the members one or more social networks.

It is also possible that social media encourage crowd or mob behavior. Sigmund Freud's contagion crowd behavior theory argues people who are in a crowd act differently and are less aware of the true nature of their actions. But convergence theory holds that crowd behavior is not a product of the crowd itself, but is carried into the crowd by particular individuals. Thus, crowds represent a convergence of like-minded individuals. In other words, while contagion theory states that crowds cause people to act in a certain way, convergence theory says that people who wish to act in a certain way come together to form crowds.

Another potential negative issue with social networks is the saturation effect that can impact decision makers. "Saturation refers to the communication overload experienced by group members in centralized positions in communications networks" (p. 148, Shaw, 1976). Also, Shaw argued "the greater the saturation the less efficient the group and the less satisfied the group members, although saturation probably influences effectiveness to a greater extent than it does satisfaction" (p. 148, Shaw, 1976). Two kinds of saturation can be investigated: channel saturation and message unit saturation. These phenomena are correlated and the numbers of channels a person must deal with influences the number of messages the person must read and respond to.

We may be able to monitor social media and identify patterns. From a business and organization perspective, a tool like sentiment analysis software discovers business value in opinions and attitudes in social media, news, and enterprise feedback. Supposedly sentiment analysis can help managers discover the "true Voice of the Customer". Proponents argue an automated tool is necessary to keep track of the vast amount of information on the Web related to customer satisfaction and support, brand and reputation management, financial services, or product design and marketing (cf., <http://sentimentsymposium.com/>).

So an initial review suggests social media impact decision making by creating more connections to receive information and opinions. We tend to trust opinions of participants in our online networks. Social media are rich information sources and these tools facilitate crowd behavior, increase peer pressure and may result in saturation and the negative results from saturation.

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Facebook discussion at <http://www.facebook.com/topic.php?uid=6858164899&topic=4239>

Topic: Impact of Social Networking - how it changes the decision making process

Displaying all 5 posts.

Kimberly Samaha

This week let's examine how social networking technologies have changed the classic diffusion process. Jay Deragon posted a link to his blog looking at how markets are being defined as "collective parties engaging in conversation" and its these conversational transactions that create influence.

Looking at that notion in terms of how platforms such as facebook have expedited the conversational process it is interesting to reexamine the classic Diffusion Model to see how it is being effected. Defining Diffusion as a process in which an innovation is communicated through a system of people over time creates 4 main elements to study

Innovation- ideas & products- disruptive techs, breakthroughs or fads

Communication - traditional advertising, interactive, word or mouth

Social System - how is it bounded- geographics, industry, age demographics

Time - how long until innovation is mainstream or is marginalized

Platforms such as facebook have greatly effected the power of word-of-mouth influence thus drastically reducing the time for 'catchy' innovations to reach the mainstream. Who is currently working in this area, have there been formal studies, where are the other communities of interest?

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Diane Bisgeier

I'd definitely include wikis in this e.g. PBWiki for the enterprise; and another interesting site is Satisfaction (<http://getsatisfaction.com/>), which is seeking to leverage customer feedback & service into marketing opportunities.

Catherine Ann Fitzpatrick

Can you point to a decision that was made collectively through rapid diffusion that proves that social media is somehow changing the way people collaborate?

I find...Most wikis get started with great pomp and circumstance, and then people in a project don't use them, and end up talking on Skype, email, Twitter...

How are the little games on Facebook any different than the parlour games our grandparents played with pencil and paper a century ago?

The main use of FB for accelerating thinking and conversations seems to be the mini feed, which is a kind of streaming media for your friends, but do people do a lot of thinking when all they are doing is trading links?

Vincent Berthelot

I agree, it's not the tool that makes innovation but the people. Web 2.0 tools surely help but if you don't change your map of mind in management it would be the same than before!

<http://www.b-r-ent.com/>

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Dorianne Cotter-Lockard

There are many examples of web 2.0 - type sites where open collaboration has made its way into the corporate world. They aren't using the standard Facebook/MySpace platform, they have their own, but the concepts are similar. These sites will either post problems to be solved and then invite the world to participate in solving them, or post solutions/innovations that companies have found and are looking for applications of the innovations.

Examples are:

<http://innocentive.com/> where mainstream companies like P&G can post their problems and invite scientists around the world to help solve them (for \$\$)

<http://www.collab.net/> which is an open source software development portal where many technology companies participate

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