: What is the impact of social media on decision making?

by Dan Power

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Information technology is changing how we communicate, obtain and process information for personal and work decisions. Social media is the term most often used for the new IT applications that create dynamic, interactive information exchanges (cf. Power, 2011). There remain disagreements about the scope and hence the meaning of the term social media, but let's explore in general the impact of more and better user-generated content of all types on personal, group and managerial decision-making. Also, if some social media applications do impact decision making, is the impact positive or negative?

Social media is increasing its penetration in our lives. So far the evidence suggests that in some situations the impact on individual and organizational decision making is extensive. For example, some commentators believe social media has "been integral to the Arab revolutions and revolts of 2011(cf., Kirkpatrick, 2011). In the US, political recall elections have been facilitated by social media. Akron lawyer Warner Mendenhall who led a recall collected more than double the 3,200 signatures needed to put the recall on the ballot, using blogs and robocalls to spread information. El Nasser (2011) quotes Mendenhall, "Even five years ago we couldn't have accomplished that," he says. "We have a wonderful ability to coordinate and to share information. … We're able to do it more rapidly."

Speculation about blogging and social media's impact on decision making is not of recent origin. In Ender's Game by Orson Scott Card (1985), a major subplot involves Ender's sister and brother, Valentine and Peter Wiggin. They are also child prodigies like Ender and using the aliases of "Locke" and "Demosthenes", they blog on the net about politics, especially diplomacy and all-out war with Russia. Peter's end goal is to create a global emergency so that he can seize power. Their writings find audiences at the highest levels of government. Each sibling gradually gains a following. Responding to each other's writings, the young siblings manipulate events and opinions. Their blogging changes their World and creates global turmoil.

The Society for New Communications Research (http://sncr.org/) has sponsored a number of studies related to the impact of social media. For example, Bulmer and DiMauro in a study report titled "The New Symbiosis of Professional Networks: Social Media's Impact on Business and Decision-Making," state in the preface "The convergence of the Internet, Web 2.0, and mobile technologies has created a disruptive shift
in business. The era of Business-to-Person (B2P) communications driven by all things social (social media, social networks, and social influence) has emerged as a new model for engagement, and Social Media Peer Groups (SMPG) have evolved to take important and influential shape in a new business and economic environment."

Bulmer and DiMauro's survey of 356 professionals including primarily CEO's and directors had 12 Key Findings On Social Media's Impact on Business and Decision-Making by CEO's and Managers:

1. Professionals tend to belong to multiple social networks for business purposes

2. The "Big Three" social networks, LinkedIn, Facebook and Twitter, have emerged as professional networks

3. Mobile is emerging as a frequent professional networking access point

4. Traditional decision-making processes are being disrupted by social media

5. Professional networks are an increasingly essential decision-support tool

6. High levels of trust exist in information obtained from online networks

7. Changes are taking place in organizations' internal and external use of social media

8. There is a recognized need for peer input in decision-making.

9. Connecting and collaborating are key drivers for professionals' use of social media

10. "Final" decision makers are more likely to indicate that they conduct research via a search engine (82 percent vs. 70 percent of Decision Supporters)

11. Those professionals with more networks are more likely to gather opinions through their online network, read blogs and query the Twitter channel as early steps in the decision process

12. Younger respondents are more likely to read a company blog and to query the Twitter channel vs. older demographics

Bulmer and DiMauro's 2010 survey is a starting point for exploring the impact of social media on decision making. More recently, they released results from a survey of 105 participants in 97 organizations in 20 countries that concludes social network participation increasingly affects executive decision making at companies. They report "A majority (80%) of respondents are able to accelerate decision process and information/strategy development by participating in online communities. Endorsement (e.g. like, read, share, retweet) is at the center of collaboration in social media communities. 'The Crescendo Effect' in social media environments has great impact on buying decisions."

According to Peter Auditore (2011), Head of SAP's Business Influencer Program, "The crescendo effect is simply how many Tweets, Facebook, LinkedIn mentions and other digital means of notification a blog may get. This is paramount because the new flow of influence, (which has metamorphosed into a new form of advertising and word of mouth marketing,) acts like a crescendo through the ecosystem of whoever liked your blog enough to recognize it. Make sense? It is not the number of views that the blog gets but the ecosystem of the viewers, how they collaborate and how the influence flows from it".

So what is the impact of social media tools like blogging, cooperative publishing (wikia), video and photo sharing (YouTube), discussions (phpbb, skype), social networks (facebook, LinkedIn), microblogs (twitter), lifestreaming (friendfeed), video livecasts (justin.tv), virtual worlds (Second Life, HABBO), social games (pogo, doof), and massively multiplayer online games (World of Warcraft, Happy Farm) on personal and managerial decision making. Today we assume the social networks, blogs and microblogs are having the greatest impact.

Some initial hypotheses

1. Business decision support tools developed to use social media data will help managers better understand trends and customer opinions.

2. Social media tools can act as communications-driven decision support system (DSS) for organizations and social affinity groups.

3. Informal and formal groups using social media may tend to make decisions as "gangs" or "mobs"

and behave without reflection or rational thought and planning.

4. Consumers will and do solicit information for decision making using social media and the information received will be considered reliable.

5. Managers can and will use social media for predictions and to influence consumer behavior and product decisions.

6. People referred from social media are more likely to purchase and more satisfied with online purchases (from Reed, 2011).

7. Traditional decision-making processes are being disrupted by social media (Bulmer and DiMauro (2010).

8. High levels of trust exist in information obtained from online networks (Bulmer and DiMauro (2010).

9. Social media changes decision making by challenging our notion of who is an "authoritative" source (Garland, 2009).

So is there an impact on decision making? Easy to use tools like Facebook and YouTube have increased first and n-order connectedness exponentially. Some changes from these technologies are likely to increase the rationality and effectiveness of decision making whereas others may actually negatively impact decision-making. For example, changes that help organizations alter consumer decision behaviour may result in suboptimal decisions by consumers.

Discussion of this question is occuring among Focus experts at http://www.focus.com/questions/information-technology/what-is-the-impact-of-social-media-on-decision-making/. Carmen Mickell, President/CEO, CDM Internet Solutions, Inc. argues "Social media has greatly influenced the way we think and make decisions." Barry Devlin, Founder and Principal, 9sight Consulting feels "social networking tools have an increasing impact on decision making the higher up the management chain you go. Strategic BI, in particular, gains enormous benefits from social media ..."

What do you think?

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