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## The Perils of Democratic Decision Making

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Enabled by enterprise social software (ESS), online corporate communities are shaking up the management world by revolutionizing many core organizational activities. Indeed, by creating new channels of interaction among employees, customers and the managerial echelons, ESS solutions such as Yammer, Jive and Chatter are even democratizing the decision-making process. Many prominent companies see this as a good thing, which is why they are actively using ESS platforms such as Yammer — a private social network that helps employees collaborate across departments, locations and business apps — to transform innovation, talent management, marketing and CSR practices. But democracy in business is a double-edged sword. And when it comes to empowering the corporate masses to heavily influence the decision-making process via ESS, it remains unclear when the C-suite benefits and when it doesn't.

Thanks to the ever-increasing complexity of the organizational decision-making domain, business leaders everywhere already have difficulty making sense of the tsunami of data available to them. Despite the revolution in big data analytics, too much information can still be a bad thing because the extensive information-processing capabilities required to make sense of exploding data levels are not always available. As a result, there is a clear negative relationship between information-processing requirements and decision-making quality (Pennington and Tuttle, 2007; Swain and Haka, 2000). A further constraint on effective decision making is the increasing fragmentation of the stakeholder field.
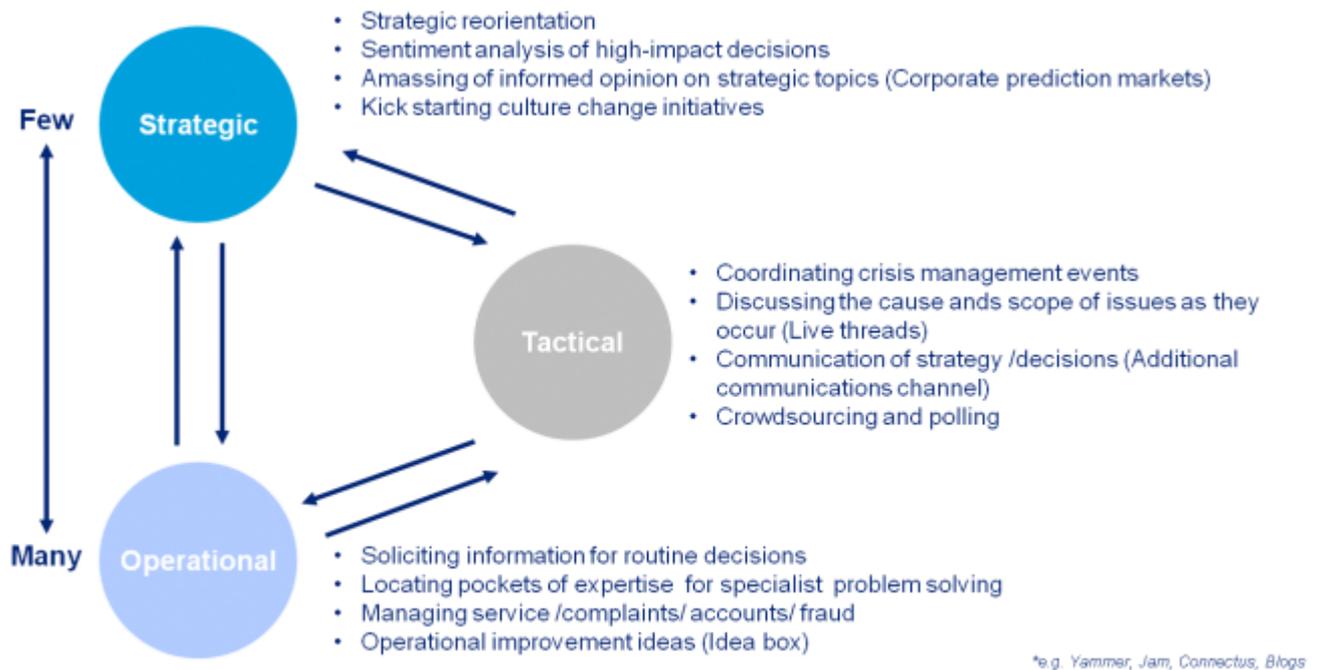
Opening up decision making to the corporate masses via ESS technology can clearly contribute to information overload, with inputs threatening to exceed the decision maker's capacity to assimilate, evaluate and act on the information provided. The good news is that effectively deployed online corporate communities can also help firms cope with the increasing complexity of the decision-making domain. As noted by Whelan and Teigland (2013), for example, information overload is often avoided when workers join emergent information-filtering communities. Nevertheless, our research shows that traditional routines and procedures that have constituted the decision-making arena for many years can become challenged, as old world and new world communication channels send out different signals on the same topic. In fact, when managing the transition from organizational bureaucracy to organizational democracy, corporate management risks losing their control as the final decision makers.

As typically happens, firms that adopt ESS encourage employees at all levels to participate in the various online communities that emerge, thus flattening the decision-making hierarchy. Activity around "feel good" topics grows, and management may implement the good ideas that bubble up. Yet, when the communities stray towards more core business-related items, organizational decision-making models can prove less adaptable to change. Examples of the former category are idea generation and corporate innovation; examples of the latter category are decisions on topics such as key account strategy or the actual restructuring of parts of the firm and other dimensions that might influence established power bases and current profit models.

Based on our experience working with 30 companies in the United States and Europe, we have concluded that some, but not all, types of decisions benefit from democratization. In other words, the key to effectively deploying ESS is understanding that online corporate communities offer different value propositions to different types of decisions. This paper aims to raise awareness of the perils associated with decision democratization and to help managers identify the conditions in which ESS platforms complement the decision-making process and those conditions in which online communities fall short in making a true contribution to decision making.

Simply put, our research indicates that there is no question that the power of enterprise social software should indeed be exploited for some intra-firm decision making, but that companies need to be very wary of democratizing the strategic decision-making process. Figure 1 presents a condensed version of our findings and provides a framework to discuss the optimum role of ESS platform functionality for three different types of decision making: operational, tactical and strategic.

**Figure 1: Examples of effective use of ESS\* for various types of decision making**

- Strategic reorientation
- Sentiment analysis of high-impact decisions
- Amassing of informed opinion on strategic topics (Corporate prediction markets)
- Kick starting culture change initiatives

**Few** — **Strategic**

**Tactical**
- Coordinating crisis management events
- Discussing the cause ands scope of issues as they occur (Live threads)
- Communication of strategy /decisions (Additional communications channel)
- Crowdsourcing and polling

**Many** — **Operational**
- Soliciting information for routine decisions
- Locating pockets of expertise for specialist problem solving
- Managing service /complaints/ accounts/ fraud
- Operational improvement ideas (Idea box)

*e.g. Yammer, Jam, Connectus, Blogs

**OPERATIONAL DECISIONS**

Operational decisions are routine choices typically made without too much thought. If used correctly, ESS-enabled communities can lead to improving the process in which these sorts of decisions are made. A union in the Netherlands, for example, initially used Yammer to publish day-to-day news and operational updates. But after recognizing the platform's potential to facilitate two-way communications, the communications team developed plans to use ESS to improve community building and gain grassroots feedback on how to improve operations. Workshops were used to raise awareness of the potential of ESS, and the online community that ESS created became a complementary channel to the daily decision-making processes, thus fulfilling a signalling function for middle management.

We have also witnessed ESS solutions deployed to improve operational decisions related to project management. Booz Allen Hamilton, for example, uses an internal platform to help better manage the staffing needs of client work. Traditionally, project staffing at consulting companies has had a lot to do with internal politics. But by deploying ESS, Booz Allen made the process transparent by basing decisions upon online employee profiles that outline expertise, client history, current project commitments and availability timelines. The company also used its ESS solution to track milestones, enhance meeting scheduling and facilitate document sharing.

ESS-enabled external communities that complement an organization's internal analytical capabilities in a directed way can also enhance operational decision making. Companies such as GE and Philips, for instance, are increasingly tapping into the world's entrepreneurial spirit using online platforms such as Kaggle, which encourages statisticians and data miners from

all over the world to compete in [predictive modelling](#) and [analytics](#) competitions and seek financial rewards for solving corporate problems.

**TACTICAL DECISIONS**

Tactical decision makers are akin to firefighters constantly on the lookout for fires to put out. The decisions they make, which are often short-term to medium-term and narrowly focused around project implementations, typically involve cross-functional stakeholders. For example, managers from both the marketing and R&D departments combine to make tactical decisions about the best way to go about selecting new product development initiatives. We have witnessed numerous companies successfully outsource tactical decisions to ESS communities.

When it comes to using ESS to improve tactical decision making, of course, one of the biggest challenges involves achieving widespread adoption of the social software being deployed. Middle managers in particular need to see the value of ESS and often require incentives to adopt the platform as part of their communication and work processes. Furthermore, since tactical decisions often require immediate attention, real-time collaboration tools including chat, audio and video programs should be part of the deployed platform. Since tactical decisions also often involve external and internal stakeholders, the ability to create external communities, polls and idea-submission systems is often essential to successfully deploying ESS.

A U.S. apparel company that was part of our research is a good example of how online corporate communities can facilitate successful tactical decision making. After announcing an acquisition, a senior executive used ESS to ask employees for ideas on how to best integrate the acquired company, which had several clothing lines targeting Millennial shoppers in different regions of the U.S. market — something the purchasing company lacked. To effectively assimilate this new customer base, several tactical decisions had to be made in terms of marketing, pricing and manufacturing. ESS was deployed to help do this, with video conferencing used to allow cross-functional managers from both companies to discuss issues as they occurred. ESS was also deployed to connect tactical decision makers with front-line workers, increasing the expertise available to address questions regarding supply chain issues. Meanwhile, crowdsourcing and polling features allowed the company to obtain instant feedback on apparel designs from employees and customers across both companies. This feedback ultimately impacted marketing decisions. Furthermore, once decisions were made, ESS was used to coordinate integration. This was critical since the tactics impacted several functional stakeholders, and certain milestones had to be achieved before moving on to address other areas of the new Millennial customer market initiative. Many unexpected issues came up during implementation and ESS was used to prioritize fixes.

**STRATEGIC DECISIONS**

Using ESS to enhance the strategic decision-making process appears to be far more difficult than using ESS to improve operational and tactical decision making because strategic decisions are highly political and typically have long-term implications for an organization's core operations. Indeed, when it comes to strategic decision making, most of the executives involved in our research identified a troubling mismatch between the established decision-making routines of managers, on the one hand, and opinions on strategic matters produced by online corporate communities, on the other. Simply put, the latter group's opinions are typically driven by bottom-up initiatives and sentiments, which are not always aligned with company interests as defined by senior management.

We have witnessed numerous failures to effectively deploy ESS solutions in the strategic domain. Consider this radical experiment in democratic decision making by Ebbsfleet United, a professional English soccer team. Rather than having the team manager select players to field, an online forum was used to outsource this strategic decision to a collective of 20,000 club fans. Fans loved having the ability to interact online and influence major decisions. And the club's new model of strategic decision making initially delivered success. Indeed, Ebbsfleet went on a winning run that culminated in victory at the FA Trophy Final. But the experiment started to unravel soon after. In fact, team performance declined to such an extent that the democratic approach to player selection had to be revoked. Disillusioned club supporters turned their backs on the team as a result and the organization flirted with bankruptcy in 2013.

The need to be wary of using ESS to democratize strategic decision making is further illustrated by the experience of a large European bank. Faced with tough economic circumstances, the C-suite solicited strategic improvement ideas from its large internal online community. The sum of ideas generated was clearly not radical enough to cope with adverse market developments or to increase performance to competitive levels. So instead of using ESS as a tool to directly influence decision making in this case, management found it prudent to deploy the less democratic traditional method of strategic plan development. This generated negative tension with the firm's employees, who started to question the value of participating in the firm's online community.

On average, we find that managers shy away from using online communities as an arena for strategic decision making, especially on urgent topics related to core operations. Simply put, a fine line appears to exist between enhancing the strategic planning process by deploying online communities and creating an atmosphere that makes it more difficult for management to perform its responsibilities. At a leading European technological advisory firm, for example, an ESS platform was deployed to essentially serve as a high-tech idea drop box. But it was perceived by the created online community as a means to allow employees to significantly influence, or even dictate, corporate decision making. And this caused problems with some members of corporate management, who had not explicitly mandated the use of ESS for strategic decision making in the first place.

However, despite the negative outcomes described above, we still see a role for ESS-enabled communities in the strategic decision-making process. Instead of attempting a complete democratization of strategic decision making, our advice is to use ESS in ways that make it clear that the idea is simply to support the traditional manner in which these decisions are made. As part of an HR strategy overhaul, a global electronics manufacturer involved in our research benefited from using an online community platform to gain deep insights into how employees envisioned the future of the organization. Although the actual strategic decision making remained offline as a formalized design process, the involvement of the online community ensured that a shared vision served as the cornerstone of the company's new strategic direction, and this went on without disturbing the company's traditional power relations that had been ingrained in the decision-making process for years.

The way Best Buy successfully deploys ESS to create prediction markets is another good example of how online communities can support strategic decisions without interfering with entrenched decision-making routines. The idea behind corporate prediction markets is that the informed collective opinion of employees, consumers and product experts will be more accurate than even the best executive estimates. With this in mind, Best Buy collected insights from its 115,000 employees before launching a new service package. The online collective

predicted that the new package in question would fail to meet expectations by 33 per cent. Best Buy subsequently decided to redesign the offering, which became a roaring success as a result (Dvorak, 2008).

Using ESS platforms to update organizations on strategy changes also appears to be an effective way to gain corporate-wide transparency and buy-in, which is essential to the success of any strategic plan.

Table 1 summarizes how to handle the challenges that arise when deploying ESS to assist the three types of decisions described above.

*Table 1: When and how to deploy ESS under various decision-making conditions*

| | OPERATIONAL DECISIONS | TACTICAL DECISIONS | STRATEGIC DECISIONS |
|---|---|---|---|
| **WHEN TO USE** | • In the case of "business as usual"-related contexts.<br>• To identify subject matter experts across the organization.<br>• To facilitate project management.<br>• To leverage best practices and lessons learned.<br>• To identify and manage issues/complaints as they appear in real-time. | • In the case of "crisis"-related or "creative" contexts.<br>• To help coordinate a crisis management situation (e.g., negative PR event, ad hoc "firefighting").<br>• To identify change agents across business units.<br>• To coordinate cross-functional projects (e.g., new product development).<br>• To tap into internal and external stakeholders (e.g., customers) for critical insights and ideas to spur innovation. | • In the case of "competitive advantage"-related contexts, when large group input will complement the insights from a few executives.<br>• To gauge community sentiment on a strategic or sensitive issue before implementation.<br>• To kick-start a major change/cultural initiative (e.g., innovation).<br>• To obtain a shared vision and corporate-wide buy-in on strategic initiatives. |

| | | | |
|---|---|---|---|
| **CHALLENGES** | • Great for some, too "techie" for many.<br>• ESS has to be part of knowledge workers' work processes.<br>• Ability of ESS to handle unique projects. | • Lack of senior management sponsorship.<br>• Need to have widespread adoption of ESS (not just one business group).<br>• Getting middle managers to see the value of ESS and adopt the platform as part of their communication and work processes. | • Peril of using only the few loud voices on ESS.<br>• Threatening the status quo — with urgent and context-specific decision making still mainly an offline process.<br>• ESS may not provide the radical ideas needed for strategic change. |
| **MANAGEMENT ACTIONS TO COUNTER CHALLENGES AND LEVERAGE IMPACT** | • Move beyond technology features to address real business objectives.<br>• Celebrate and communicate ESS lead users' achievements.<br>• Integrate other project management tools with ESS.<br>• Provide a train-the-trainer approach to learning ESS. | • Integrate social data into business intelligence and decision-making systems.<br>• Celebrate and communicate project successes using ESS.<br>• Provide incentives for middle managers to use ESS for cross-functional initiatives. | • Emphasize the supplementing (not substituting) traits of ESS for strategic decision-making processes.<br>• Celebrate and communicate successes and business value from corporate ESS use.<br>• Train executives to use and see the value of ESS.<br>• Provide easy-to-use ESS features such as dashboards and visualizations. |

ESS-enabled online communities can clearly complement daily decision-making processes — fulfilling a signalling function for middle management. But while online community initiatives were typically welcomed by the organizations we studied when employee groups were endorsing topics such as innovation, corporate identity and image, the same can't be said about core business matters seen as the firm's commercial bread and butter by established decision makers. As a result, the C-suite simply must be selective when handing over decisions to emergent online in-house communities, especially when decisions are urgent, complex or strategic.

In other words, we find that ESS-enabled communities can contribute significantly to decision making, but how well they contribute depends on the type of decision being made and the role given to ESS. Deploying online communities to democratize decision making is very conducive to enhancing operational and tactical decisions in terms of identifying and including the "right" stakeholders and decision makers impacting work practices, as well as gaining insights and consensus around tactics. But while ESS can be effectively used to support and communicate strategic decision making, we find that strategic decision making itself should remain mainly an offline process.

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