The impact of social media on corporate reputation

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The likes of Twitter, the micro-blogging site, Facebook, the social networking tool, and YouTube, the video sharing platform, are a socio-cultural phenomenon. Made possible by the advent of Web 2.0, a suite of technologies that allow web-users to congregate, interact and share information online, and known by the collective noun social media, they have transformed the media landscape for corporate communicators.

But in reputational terms, what value does social media offer to organisations? Via interviews with leaders in the fields of social media and corporate communication, this paper seeks to answer that question. It concludes by suggesting that social media has heralded a new dawn for the concept of reputation management, one where organisations can for the first time begin to manage their reputations directly.

Keywords: Social media; corporate reputation; Twitter; Facebook

Introduction

From very humble beginnings, websites like Twitter, Facebook and YouTube have grown to become powerhouses of the 21st century media scene: 13 hours of content are uploaded to YouTube every minute; 30 billion pieces of content are shared each month on Facebook by 500 million active users; registered accounts on Twitter grew 1,500 percent in 2009; and social networking accounts for 23 percent of time spent online in the UK. Christakis and Fowler (2009, p. 27) argue the new technologies ‘realise our ancient propensity to connect to other humans.’

Couldry, Livingstone, and Markham, (2010, p. 37) contend: ‘The familiar, mass communication model – with its centralised organisation, elite gatekeepers and established relations with institutions of power - no longer has a monopoly, with new opportunities for the public to connect, communicate and deliberate online (Delli Carpini and Williams 2001; Lievrouw and Livingstone 2006).’

Interest in and uptake of social media is increasing, while the bastions of traditional media are in long-term decline, with print circulations and audience figures falling. This changing media landscape has a profound impact for those involved with corporate communication. Shih (2009, p. 43) states: ‘It is one of the most significant socio-cultural phenomena of this decade. By inventing more casual modes of interaction and thereby making possible new categories of lower-commitment relationships, social networking sites like Facebook, are fundamentally changing how we live, work and relate to one another as human beings.’
Yet social media is a very new medium, and many organisations, described as Apollonian by Handy (1978, p. 23) as they are by nature slow to adapt to changing operational environments, are still coming to terms with social media in terms of its impact and importance with regard to reputation.

What value reputation?
Reputational capital is a powerful resource. Fombrun (1996, p. 9-10) argues: ‘Reputation confers clear-cut advantages and privileges on companies. We trust those companies that we respect, so we grant them the benefit of the doubt in ambiguous circumstances.’ He argues favourable reputations provide competitive advantage and (p. 57) ‘produce tangible benefits: premium prices for products, lower costs of capital and labour, improved loyalty from employees, greater latitude in decision making, and a cushion of goodwill when crises hit’. Dowling (2001, p. 11) contends reputation is ‘among the most important intangible, inimitable strategic assets’ and describes 13 strategic benefits, including adding ‘extra psychological value’ to products and a ‘performance bond when the firm contracts with other business enterprises such as suppliers and advertising agencies.’ As well as operational benefits, Dowling (p. 16) argues that good reputations bring financial rewards by increasing the length of time that firms spend earning superior financial returns (a carry-over effect) and reducing the length of time that firms spend earning below-average financial returns (a lead-indicator effect). Doorley and Garcia (2007, p. 4) assert that companies with the better reputations ‘attract more and better candidates, pay less for supplies’ and ‘gain essentially free press coverage that is worth as much if not more than advertising’. Fombrun and van Riel (2004, p. 86) contend there are five key elements to building ‘star-quality reputations’: being visible, distinctive, authentic, transparent and consistent. Communication is implicit within the elements of visibility and transparency, and required to operationalise the other three, the author asserts. (Fombrun and van Riel, 2007, p. 1) state: ‘It is through communication that organisations acquire the primary resources they need (such as capital, labour, and raw materials) and build up valuable stocks of secondary resources (such as legitimacy and reputation) that enable them to operate.’ Communication therefore is a vital part of reputation building. It allows an organisation to harmonise its vision (the management’s aspiration for the organisation), with the culture (the organisation’s values as felt and shared by employees) and its image (the impression that the external stakeholders have of the organisation) (Hatch and Schulz, cited by Cornelissen, 2008, p. 71).

How does reputation form?
Aula and Mantere (2008, pp. 30-31) argue reputation forms as a result of direct experiences with the company, the behaviour of employees, observations in the media and stories and fragments of information that move within social networks. Dowling (2001, p. 19) believes reputation is a value-based construct and (p. 3) underpins the idea that reputation is an aggregate impression from different sources, stating: ‘The reputations people hold of an organisation are the net result of all its activities.’

Despite its widely acknowledged value, reputation is an immaterial resource; an abstract concept (Aula and Mantere, 2008, p. 33). In a systematic review of definitions, Walker (2010, p. 369) found it is predominantly defined in terms of perceptions and that, he argued, implied reputation resides in the minds of others. Aula and Mantere (2008, p. 21) state ‘To a great extent reputation does not exist within its subject but in the opinions and interpretations of those assessing the subject’ and argue (p. 51) reputation ‘lives inside our heads in a sense.’
It is widely acknowledged that reputation forms over time, that is it is a temporal construction (Aula and Mantere, 2008, p. 24; Cornelissen, 2008, p. 76). Rindova (1997, p. 189 cited by Walker, 2010, p. 367) states reputation is ‘distilled over time from multiple images.’ It is also constructed socially (Fombrun and van Riel, 2007, p. 43; Aula and Mantere, 2008, p. 50) with experiences and perceptions being shared in discourse, and enacted in dialogue and communicative action, defined by Habermas as ‘the interaction of at least two subjects capable of speech and action who establish interpersonal relations’ (Brexendorf and Kernstock, 2009, p. 395). Aula and Mantere (2008, p. 51) state reputation is ‘constructed and re-enacted in speech. Reputational stories are produced and reproduced through talking.’

Referring to personal reputations, Solove (2007, p. 30) argues: ‘Our reputations are forged when people make judgements based upon the mosaic of information available about us.’ Social psychologists refer to this process as impression formation. Hogg and Vaughan (2008, p. 47) state: ‘Impression formation involves the integration of sequential pieces of information about a person (i.e. traits present over time) into a complete image. The image is generally evaluative, and so are the pieces of information themselves.’ One approach to the study of impression formation is known as ‘cognitive algebra’ (Hogg and Vaughan, 2008, p. 47). It focuses on how people assign positive and negative valence to personality attributes and how these pluses and minuses are combined into a general evaluation.

Organisational reputation is also a mosaic, the author argues, a summation of many fragments of information arranged via process akin to cognitive algebra. How large and vivid each piece is depends upon a number of factors: how recent the information, how important, the credibility and social proximity of its source and the method of communication.

Can reputation be managed?
The interwoven notions that reputation resides in the minds of others, crystallises over time as the result of mediated meaning, and is alive in dialogic communication leads some to question whether it is possible to manage it per se. Fombrun (1996, p. 57) states: ‘Because a reputation is not directly under anyone’s control, it is difficult to manipulate.’ Aula and Mantere (2008, pp. 27-28) state: ‘Reputation is non-centralised as it is held and constantly re-enacted by a variety of stakeholders. It is more fragmented than image. As such, reputation can be influenced by various parties but it is much harder to manage or control than image is.’ Grunig (2002, cited by Aula and Mantere, 2008, p. 30) also argues that reputation cannot be managed directly.

In reputational terms, what value does social media offer to organisations?
During June and July 2010, the author interviewed 21 people, mainly face-to-face: 12 acolytes from the social media realm and nine leading corporate communicators. Their interviews ran to over 100,000 words and below is a selection of extracts from their interviews, starting first with the social media experts.

All the interviewees thought social media was an important method of stakeholder communication in order to build reputation. Annmarie Hanlon, who runs social marketing consultancy Evonomie, was emphatic: “On a scale of one to ten, I would say that it’s ten. It is vitally important.” She added: “Social media is absolutely an essential part of stakeholder communication in the age in which we live.” Stephen Waddington, a PR entrepreneur and MD of multi-sector PR consultancy Speed, said: “Social media is important because it has the ability to completely flatten relationships. Traditionally a brand has communicated via intermediaries to its customers. Social media enables the relationship to be direct. That’s very efficient, a lot more transparent and a lot more effective.”

Dave Cushman, MD of social media consultancy 90:10, said: “In my opinion, if you are not engaging in social media you are missing out on hugely valuable things. Even if you think of how to do the next thing you are planning to do, you should be doing that with the people to whom you are planning to do it. Instead of doing it to them, do it with them.” Alan Moore, co-author of the seminal work Communities Dominate Brands, said: “I think we’re using social media to re-negotiate the power relationships of how we work, how we trade, how we live our lives, how we’re governed, and how we’re going to learn in the future.”
Martin Thomas, a pioneer of integrated brand and communications planning and author of Crowd Surfing and Loose, said: “I think it [social media] has done two things. First of all it’s actually created an expectation in stakeholders that they can hold companies to account. There’s an expectation now that you can have dialogue, you can contribute, you can get involved, and you can debate issues. So it’s kind of accelerated that tendency, and also it provides the perfect mechanism to do it. So you’ve got both the problem and the solution, and it is the easiest way for any organisation I think to engage with stakeholders and vice versa; it’s the easiest way for stakeholders to engage an audience. So it’s absolutely core to it [stakeholder communication], and in five years time, stakeholder marketing will be social media marketing. There won’t be a distinction between the two. It requires a complete reinvention of the discipline that you, but that’s fine . . . . a complete reinvention of the whole notion of stakeholder marketing, in the same way as any kind of marketing has had to change.”

Philip Sheldrake, entrepreneur and the author of The Business of Influence, highlighted the inherent ability of social media to be participative, interactive and dialogic. He said: “Social media allows conversation. Whenever you want to persuade somebody, you can never do it through preaching, only through conversation. Conversation requires timeliness, and social media facilitates timely conversation. Real time, hour by hour – not letters to the editor which appear a week later if someone deems your conversation is interesting to the publisher.” Moore added: “Conversations are things that you imbue, you internalize, they become part of memory, and I think to a degree we can no longer build brands out of desire in the way that we used to. I’ve seen it too often now in too many different ways: when you build sociability into the fabric of the business, that can do extraordinary things in terms of trust, communication, advocacy, and learning.”

On the question of relationship building, all of the experts believed social media enabled organisations to build relationships with stakeholders, and that relationships had value. Anthony Mayfield, author of Me and my web shadow, said: “Social media allows organisations to form relationships with stakeholders that they couldn’t see before via traditional media. I think a better way to think of it is rather than replacing or becoming more powerful than traditional media communications, is that it augments and supercharges our other forms of communications; our ability to build social networks and communicate with them, and to maintain large networks of friends, colleagues, acquaintances and contacts.” Mayfield added: “The interesting thing is that that value of these relationships is becoming more explicit, measurable and visible. I keep playing with this idea of social media giving us social superpowers, exceeding our design limitations. If you play with that superhero analogy, one of the things you might say is that it gives you super-sight: X-ray vision of your social networks. Before you could only see your friend and your friend of a friend. Now you can quite often actually seek out as many links as you want, and you can see how your network is working.”

Waddington said: “When you’re engaging directly the relationship is much more open and transparent, and therein is the future. You can engage with people in a much better and effective way, and it is a proper relationship. Those relationships almost certainly have value because you’re building loyalty with your audience in a way that has been more difficult previously.” Moore said: “If you do it right, what social media allows you to do – via a blog for instance – is to really engage with people.”

Cushman argued that social media allows organisations to build a new set of relationships with people who can communicate on the organisation’s behalf: “It is a whole new set of relationships. In the old days your key relationships were with journalists and the people who had control of publishing. They had to create the content, distribute it and organise your experience of the content. Now all of that is in the hands of everyone so your relationships have to be effectively with everyone. That takes you into difficult territory because you are never going to be able to reach along the entire long tail. But what you can do is to support the people who are doing that and service those needs by helping to discover people and introduce people and support them in creating the outcomes that you have a shared mission on. You have to make the effort to go out and discover people who may not know each other yet but who care about the same things as you and bring them together. One extra node on the network doubles its value.”

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It gives us access to material that otherwise we absolutely would not have had. It means that our end product – be it a piece on the ten o’clock news or the story on the front of the BBC website - has content and a perspective we have would not otherwise have had.”

What are the consequences for ignoring the social media sphere? Sheldrake summed up the prevailing view: “Quite simply, the consequences are the same for not interacting pre-social media. If you weren’t in the room, you weren’t having the conversations, you weren’t building your reputation, you weren’t building your relationships and that would ultimately impact your ability to achieve your business objectives, just in the same way as it does now we’ve got social media as the new thing. It just impairs your ability to achieve your business objectives.” Hanlon said: “Those embracing social media will be winning the business. Those failing to embrace it will potentially lose business, because they simply won’t be visible – they’ll become invisible.”

Mayfield said: “A loss of competitive advantage is the ultimate outcome, because social media is not just about getting your press releases further online, it’s about understanding how the world is changing.”

Thomas said corporates who are ignoring social media risked ‘sailing into disaster’: “It is complete ostrich-like, denial behaviour. If I put my fingers in my ears, maybe it might all go away.”

Due to its conversational and inherently social nature, much of what is being said in the social media space is open and candid, and although it may feel like a private conversation to those taking part, unless people have taken time to refine their privacy settings, it is taking place in public. This aspect of social media allows organisations to monitor what is being said about them. Andrew Smith, digital marketer and director of Eschermann, said: “Listening to what is being said about the organisation wherever conversations are being had is vital to the health of an organisation. Reputation is what people say about you when you are not in the room. With social media, the number of rooms in which you can be talked about has greatly increased but at the same time, using technology to monitor what is being said, you can be in the room and hear what is being said.”

As Moore mentions above, blogs are seen as an integral part of a social media strategy. Waddington added: “Blogs are an online form of media that are as close as you will get to traditional media. They are very well suited to existing communication techniques, albeit your style and tone of voice needs to be much more chatty. They offer the opportunity for direct engagement.” Mat Morrison, social media lead at Starcom MediaVest Group, said: “Blogs give you control and you can build a community around your blog. Once you’ve got a blog of your own you can guest blog on other people’s blogs. That’s really exciting because you can get to other people’s audiences. You can build relationships with bloggers, and bloggers tend to be people who have opinions and get quoted.”

While the ability of social media to provide an engaging method of communication was supported unanimously by the group, the balance of power, in terms of total impact, resides with traditional media, they said. However, everyone thought social media would become more influential and many recognised the impact it has on shaping the mainstream media news agenda. Hanlon believes social media has a magnetic quality which is absent in traditional media, allowing groups to form and coalesce around an issue, drawing in people who were previously impossible to reach. She said: “The Bat Conservation Trust started a Facebook page last year. So far with not a huge amount of effort, we’ve got up to 7,000 fans. The impact on the trust has been that we’ve got people who’ve never before attended a bat-walk, engaged in and participating in these events and becoming members. From that perspective it’s extremely powerful because clearly, our traditional methods of recruitment haven’t engaged any of that audience before.”

Mayfield said: “If we think of it as a way for organisations to effectively communicate with the publics that are important to them, then it is more powerful and it makes the pre-existing forms of media more powerful as well.” He added: “I don’t think that we’ll see traditional media’s influence disappear, but it has been changed. It has been massively altered by social media, and it will continue to do so as the uptake and use of social media amongst all parts of the population grows.” Matthew Eltringham, a BBC editor who has led the corporation’s effort to adopt social media, has said: “In news terms, social media genuinely affects our agenda.
Eltringham said: “Organisations must be listening to what is being said to them. Then they can respond, they can engage and they can have conversations. That adds control. It gives control back. Whereas before you weren’t really aware what was being said about you, because they were saying it down the pub; they were telling their mates over a cup of coffee. Now they are saying it much more publicly, much more transparently. Now you can follow that conversation. So you can understand what people are saying about you, and where you are in their minds, and then you can engage with them to change their minds.”

The interviews with the corporate communicators were carried out using the same questions. In comparison to the social media experts who trumpeted social media as a route for stakeholder communication, the response from the corporate communicators was more mixed. Heleana Greeves, a press officer for Tesco, Tanya Joseph, a freelance communication consultant, and Mark Schmid, director of communications for TalkTalk, said they regarded it, respectively, as “crucial” “incredibly important”, and “incredibly important for consumers, and for media”. Nigel Dickie, director of corporate and government affairs for Heinz in the UK, described social media as ‘part of the communications mix’, although he acknowledged: “I think going forward it will become more and more and more important as social media becomes embedded in the way in which everybody communicates.” Clare Collins, press and PR manager for Sodexo, said: “I think like all methods of communication it plays a role. It plays a part; it’s another method of communication, but I think it plays a different role for different companies.” Schmid offered an insight into how consumers are using social media to attract the attention of companies. He said: “The difference now is that consumers will use social media as the first place to go to find out information. Whereas previously, they may have gone to a company’s website, or phoned the company up, now there’s a growing group of consumers who will go to Twitter - we see it every day in our own business - and they’ll put in there; ‘I’m thinking of switching from Sky to TalkTalk, what does everyone think?’. And they’ll get hundreds of responses from people who are advocates to one or the other saying ‘Yes you should do it it’s been great for me’ or ‘No you shouldn’t’. So they use that as a way of judging the relative merits of different companies and brands, and they trust the responses that they’re getting back there, because they see that it’s coming from other people like them; they see it’s unbiased.

“We also find now, consumers will go to a Facebook page and put in a customer issue. Consumers are increasingly discerning so they think ‘If I want a company to hear me and react to what I’m saying, how best is to do that?’ One way is to write a letter or ring them up. Or if I post it on the wall of their Facebook, where the whole world can see I’ve got an issue with them, are they more likely to come on and answer that straight away? So they’re quite clever I think now in how they see they can get a best result from an organisation by perhaps making their gripe more widely known.”

Interestingly, in terms of the aspects which differentiate social media from traditional media, the corporate communicators imbued social media with the same set of characteristics as the social media experts: interactivity, informality, speed, openness, transparency, authenticity, opportunity for direct engagement, two-way communication, real-time dialogue, ability to share, and create networks.

In keeping with the social media experts, the corporate communicators also believed social media allowed organisations to build relationships with stakeholders in a way that traditional media doesn’t. Dickie said: “Yes, absolutely – because social media allows you to directly engage with your stakeholders, consumers and NGOs in a far more interactive, real-time way, that is not forwarded through other more traditional channels of communication. But I still think this is part of the mix. I think people still want to phone and get their stuff in other ways.” Collins said: “I think one of the key things about social media is its ability to engage. You can strike up a dialogue and that is extremely powerful. In the past, people could read something about you in a newspaper but there was no way for you actually to spark an instant dialogue. Now you can make a connection.” Greeves related a story about her experience as a member of the East Dulwich forum, an online discussion forum for people living in East Dulwich. She said: “The local station manager who works for Network Rail uses it as a forum to respond directly to travellers. He is very personable and you can have a laugh and a joke with him. It is great PR and it brings everything back down to a local community level.”
It is like we have gone full circle. It is a good example of how powerful social media can be. If you get it right, it allows personal engagement, and as humans we respond really well to that.”

The corporate communicators also believe those who do not engage with social media are missing out. Schmid said: “I think they run the risk of being excluded from a lot of conversations about themselves, and even if they don’t necessarily want to participate, I think they could learn a lot about what a particular group think of them or the issues that affect them. It could have a real business impact, depending on the business.” Collins said: “I think they will lose out because it is here to stay. It’s a new channel that I think is going to grow and grow, and I think they’re just not going to be part of that. They will not be reaching some of their audience.” Joseph said: “I think to ignore social media now would be like people in the late 50s and early 60s thinking TV wasn’t going to be important, thinking that it was just a phase. This is the way that people will be communicating, certainly in the west, and increasingly I think much more so in developing countries, because you need less hardware. There are more mobile phones in Afghanistan than there are landlines – there are very few landlines. This is how people are going to communicate, this is how people get information, and if you’re not part of it, if you’re not being active and absolutely getting it right, then you’re going to be left behind.’

Conclusion
Social media may seem like a fad to the casual observer, but according to this research it cannot be ignored, the author asserts. None of the people interviewed believed its relevance in a reputational setting would fade, only that it would get more and more important. As witnessed by Eltringham’s comments, social media is already shaping the news agenda of the BBC and other public broadcasters. Its innate qualities as a conversational, participatory and interactive medium allow for a level of engagement with stakeholders beyond that which traditional media can offer, the research demonstrates. It can be described as rich media and provides a platform where organisations can have a real-time, two-way dialogue with their stakeholders, delivering a mechanism for symmetrical communication that is a requisite of ‘excellent public relations’ (Grunig et al., 1992, p. 150). Openness is a key to building relationships (Cho and Huh, 2010, p. 34) and relationships are key to building reputational capital (Aula and Mantere, 2008, p. 30; Svendsen et al., 2009, cited by Hutt, 2010, p. 183). Openness is also key to building trust (Cho and Huh, 2010, p. 34) and trust is a vital part of reputation. Social media also allows, for the first time Eltringham believes, organisations to hear what people are saying about them in their conversations with other people, conversations to which organisations have been previously blind, metaphorically speaking. Reputation is, in large part, a social construction (Fombrun and van Riel, 2007, p.43; Aula and Mantere, 2008, p.50) with reputational stories being shared among social networks. Colloquially, it is what people say about you when you are not in the room. Now however via social media, as Smith says, you can be in the room and monitor what is being said.

Social media have democratised the media. Anyone can create their own content and publish it to a platform with a latent audience, via Twitter, Facebook, YouTube or post on a blog. Fill (2009, p. 791) argues: ‘Business-related or corporate blogs represent huge potential as a form of marketing communications for organisations. This is because blogs reflect the attitudes of the author, and these attitudes can influence others.’ The research highlights that blogs allow organisations to take back the element they are fearful of losing: control. Morrison believes so and Mayfield (2010, p. 166) argues: ‘A blog can give you a great deal of control over your web shadow.’ Facebook and Twitter provide organisations with a mechanism to develop communities of interest, attracting stakeholders which organisations did not know existed before according to Hanlon. Blogs too act as a community hub, acting as a virtual talking shop by allowing comment around the posting which becomes a focal point for discussion and dialogue. Ahonen and Moore (2005, p. 100) state: ‘Blogs are exceptionally interconnected.’ They add (p. 109): ‘By using corporate blogs, many companies are finding that thoughtful but unvarnished communication can form the core of a trust-based strategy . . . If you open a channel of communication with your customers during good times, they will be carrying your voice and be your advocates when you hit the bad times . . . A blog can be a way to future-proof your company’s profits tomorrow by talking with your customers today.’
Of course, organisations have to get the tone and nature of the content right - and their activities have to be conducive - but if they do the communities have the potential to form into communities of support, advocates for the organisation who will help the organisation to manage the long tail, as described by Cushman, enlivening their own personal networks to pass on the organisational message via the digital equivalent of word of mouth, known as word of mouse. This creates a process that the author describes as distributive reputation management, where stakeholders connected to the organisation via virtual communities speak out on behalf of the organisation to defend or develop its reputation. Their words have the potential to be carried by hyperdyadic spread (Christakis & Fowler, 2009, p. 22-23), and to be monitored and measured to calculate their reach.

Palazon & Sicilia (2008, p. 267, citing Mathwick, 2006) state: ‘A virtual community supported by a web site will serve to improve the relationships between individual consumers, as well as among the consumers and the brand. As a result, intense relationships will emerge voluntarily fostering both consumer loyalty and trust.’ The author uses the word distributive rather than distributed reputation management, which is a term used in the IT industry, as distributed suggests an operation is undertaken and completed at a given moment in time. Distributive is suggestive, the author argues, of process which is ongoing and continuous.

Taking all these elements together – the ability to have real time, two-way dialogue; the power to engage; the proclivity for transparency which in turn develops and maintains relationship and enables trust; the capability to monitor relevant, inter-personal conversation; the facility to create your own media; and the capacity to build communities of interest and support around corporate brands – the author argues that the impact of social media offers a new era of reputation management theory and practice, where organisations are able to directly influence their reputations more effectively. But in order to be able to answer the question “What value do social media offer to organisations?” three key issues need to be addressed through research:

1. The assessment of and validity of data collected from competitors, and others who assume the identity of customers (implying the reliability and credibility of social media data)
2. The evaluation of data streams from content analyses and other reputation management techniques (implying the quality levels of data for monitoring)
3. The ongoing monitoring of commercial and professional blogs, social networking sites and other emergent communication technologies as they are adopted.
References


