IS and Organization for Online Corporate Reputation Management

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ABSTRACT

According to the Resource Based View, corporate reputation is seen as a core resource and a major factor in gaining competitive advantage. Thanks to the development of Web-based technologies, stakeholders can easily spread their own perspective about an organization, its products, services, brands, members, and so forth, affecting its corporate reputation. This work examines the Web side of corporate reputation conceptualized as ‘online corporate reputation’ and the exploitation of IT (Online Reputation Management Systems) to support the related management practices. Based on the experience developed by an Italian leading e-service provider, the authors highlight a promising field of practice and research from IS management and organizational perspectives.

Keywords: Decision Making, E-Services, Information Systems, Online Corporate Reputation, Online Reputation Management Systems, Social Media

INTRODUCTION

Corporate reputation (CR) is an issue of growing interest in strategic and organizational literature (Cullen, 2005). According to the Resource-Based View, CR is a core resource and a major factor in gaining competitive advantage (Alsop, 2004; Deephouse, 2000; Fombrun & Rindova, 1999; Fombrun & van Riel, 2004; Hall, 1992). CR is related to leadership, organizational practices, the quality of products and services, the relationships with stakeholders (i.e., customers, shareholders, employees, suppliers, etc.), and it is also connected to communication activities and feedback mechanisms (Kitchen & Watson, 2010).

The recent development of Web-based technologies, summarized under the idea of social media and ‘Web 2.0’ (O’Reilly, 2004), drives towards new threats and new opportunities for CR management.

Basically, social media and Web 2.0 stand for open participation and user-interaction, i.e., through user groups and online communities, forums, blogs, wikis and social network sites (Gorry & Westbrook, 2009, p. 197). The Web is used not only for transaction purposes or as a passive information source. Unlike traditional
mass media such as television and press, the Web 2.0 allows stakeholders to be (pro)active participants, free from pre-determined and rigid communication flows (Bornemann et al., 2006). The Web 2.0 enables to overcome most information asymmetries towards higher levels of market transparency. It allows consumers to participate actively in the value chain, influencing products, services and prices. At the same time, the Web 2.0 allows stakeholders to easily group and voice together against organizations (Bornemann et al., 2006). The Internet as a mass medium has the ability to instantaneously distribute information to a mass audience at low-cost. This is problematic when stakeholders negatively affect the CR (Bernhardt et al., 2007). The recent diffusion of social media – such as online third party feedback forums and opinion communities – and the very high percentage of people using the Web to find information about organizations, products and services, have significantly emphasized the stakeholders’ power in affecting CR (Barnes, 2008; Opinion Research Corporation, 2009). Today CR derives from a co-production of information coming from firms, their stakeholders and traditional gatekeepers (i.e., journalists). In this context organizations need to rethink their approach to communications in order to build and to protect their CR (Bunting & Lipski, 2000). The traditional ‘command and control communication’ approach used by organizations to manage the communication flows with their stakeholders seems inadequate to face the world of social media and Web 2.0 (Bunting & Lipski; 2000; Francescon & Dossena, 2008; Gorry & Westbrook, 2009). Modern social media make easier and virulent the diffusion of comments, anecdotes, opinions, and this can be both profitable and problematic for CR. Park and Lee (2007) demonstrate that just one negative comment can contribute to worsen the CR within an online forum, while the perception of a positive CR is merely proportional to the number of positive comments. Therefore, though CR is a resource cumulated in time, it is also quite ‘fragile’ and quickly damageable (Alsop, 2004; Grant, 2005; Hall, 1993). This makes more important a fast detection of possible threats as well as proactive interventions. From an organizational and IS point of view organizations need to adopt more sophisticated approaches that place an emphasis on continuous monitoring, listening and action (Bonini et al., 2009). The diffusion of social media requires adequate organizational responses to “put new systems in place to permit timely and appropriate response to the increased level of comments on significant issues that the Internet enables” (Clark, 2001, p. 262). At the same time organizations can turn this phenomenon to their advantage (i.e., for marketing, innovation and competitive intelligence) through the development or the acquisition of new capabilities for a proactive online CR management and a different perspective on the relationships with stakeholders.

In this context IT can play a fundamental role in supporting online CR management. However, at present, the management of CR is prevalently a human activity performed through manual search in the Web. Due to the lack in IT/IS literature about this issue of growing interest in managerial practice, the originality of our work consists in a first effort to combine the emergent literature on online CR management and the practical exploitation of IT/IS for online CR management purposes. Focusing on ‘Online Reputation Management Systems’, our work aims at exploring the IT potential to support the online CR management in the world of Web 2.0.

Our research questions arise as follow: how can organizations use Online Reputation Management Systems to manage their online corporate reputation? How do Online Reputation Management Systems work? What are their main potentials and limitations in supporting online CR management? What are the main organizational and IS management issues?

Due to the novelty of this topic, both in theory and in practice, we report an explorative case study based on the experience developed with 35 customer organizations by a leading Italian e-service provider, Alpha Consulting & Solutions.
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