Business Blogging and Enterprise Strategy: Controversy and Evidences

Nan Hu, University of Wisconsin – Eau Claire, USA
Yun Wan, University of Houston – Victoria, USA
Chen Ye, Purdue University Calumet, USA
Ling Liu, University of Wisconsin – Eau Claire, USA

ABSTRACT

Some experts are concerned that blogging may be in conflict with other more controlled public relation activities and suspect that only those companies in bad financial shape would resort to business blogging as a cheap attempt. Using data collected from Fortune 500 Business Blogging Wiki, the authors demonstrated that business blogging can be used as a new strategic tool for companies to sustain their existing competitive advantages. The authors found business blogging tend to correlated with higher sales, lower cost of goods, and reduced advertising expenses for companies. They also found that those companies use product differentiation as their main competitive strategy could better utilize business blogging to sustain their competitive position, thus maintain or increase their financial performances.

Keywords: Business Blogging, Cost Leadership, IT Strategy, Product Differentiation, Web 2.0

INTRODUCTION

Since 2002, Web 2.0 become a popular umbrella term to describe various user centered interactive Web technologies mushroomed on the Internet. Among all the Web 2.0 tools, blogging is arguably the first to be widely adopted. It represents one of the fastest-growing media of personal publishing and the newest method of individual expression in the Internet. In 2004, there were only 5 million bloggers worldwide (Wright, 2005). By the start of 2005, that number grew to more than 50 million. This trend shows no sign of slowing down. By 2008, over 100 million blogs were indexed by Techorati, the leading search engine for blogs written in English. In the beginning of 2009, according to statistics from blogpulse.com, a service of Nielsen Rating Company, there were on average 50 to 60 thousands new blogs being created worldwide and more than 600 thousands new blog posts every day.

In January 2005, Fortune magazine featured a report titled “Why There is No Escaping the
Blog” to call attention to the fact that bloggers have become a major force that businesses cannot afford to ignore. Blogs have the capacity to promote products and services, build customer communities, and serve as effective vehicles for the education of consumers. Sensing the power and influence of this new Internet application, many business leaders are exploring the strategic value of business blogging.

Executives start to appreciate blogs as sources of information. A national survey from 2006 of senior executives from the Fortune 1000 companies found out that 21% of executives read business blogs at least once a week. Business leaders have also begun to blog and encourage their employees to open business blogs and promote their products and services. According to the CEO of Bloglist, business blogging is an irreversible trend for companies. Furthermore the number of blogs written by CEOs has increased dramatically from late 90’s to 2005 (http://www.thenewpr.com/wiki/pmwiki.php?pagename=Resources.CEOBlogsList).

A wide range of companies, such as Microsoft, Google, General Motors (GM), and Disney, are adopting blogs for information disseminating, relationship building, and knowledge management, both internally and externally (Wright, 2005). For example, GM has adopted FastLane Blog (http://fastlane.gmblogs.com) to spread news, provide information, and create an online community where its customers can exchange information and discuss about topics which are important to them. Similarly, Google has been using the Official Google Blog to make major announcements about the company and its upcoming products. More than one thousand Microsoft developers and product managers are communicating directly with customers daily via blogs to understand how customers respond to Microsoft products and services (Wright, 2005). In addition to using blogs for external communication, companies also use blogs to coordinate business operations internally. In Disney, there are more than 130 technicians working on various shifts to guard the smooth daily operation of the Disney Channel. To smooth the operation, Disney has adopted a blog solution for shift management. This is an excellent example of how innovative use of blogs can replace the traditional paper based log system to keep track of engineering changes and issues (Wright, 2005).

Among all this optimism about business blogging, industry experts also express concerns. According to David “Doc” Searls, the co-author of “The Cluetrain Manifesto,” companies only blog under duress because the risks and uncertainties of public business blogging are great. Thus, if companies are on the way up, they don’t want to risk their success by introducing blogging that isn’t controlled by their public relations department. But companies in different situation are willing to try anything to regain the confidence of their customers and business blogging became an easy-to-pick-up initiative in such cases. This is manifested by GM, according to Michael Wiley, the director of new media at GM:

“We had to do something to humanize the company and create a fresh image for GM… a few quick PR hits wouldn’t do the job -- which it would take something like a Blog to really shake things up. But I could see the carcasses all over the place of companies that had tried to do gimmick Blogs. So I was insistent that our Blog had to develop a real conversation with our customers. That was the only way it would do any good.”

As of February 2009, there were 60 or 12% of Fortune 500 companies have business blogs. When comparing the recent 12-month stock performance of these 60 companies with the rest of Fortune 500, it was found that the stock of these 60 companies rose 4%, while the rest increased 19% (http://www.asia.socialtext.net/bizblogs/index.cgi). Thus there is indeed a correlation between bad performance of companies and business blogging initiatives.

So exactly what is the strategic value of business blogging to companies? Is it a last resort for companies in the spiraling downturn or an innovative strategic tool that should be adopted
Online Security Cues and E-Payment Continuance Intention
[www.igi-global.com/article/online-security-cues-payment-continuance/63016?camid=4v1a](www.igi-global.com/article/online-security-cues-payment-continuance/63016?camid=4v1a)

Review of Entrepreneurship Education in Europe, Middle East, North American Countries Compared to India
[www.igi-global.com/chapter/review-of-entrepreneurship-education-in-europe-middle-east-north-american-countries-compared-to-india/179656?camid=4v1a](www.igi-global.com/chapter/review-of-entrepreneurship-education-in-europe-middle-east-north-american-countries-compared-to-india/179656?camid=4v1a)