Analyzing Social Media for Corporate Reputation Management: How Firms Can Improve Business Agility

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ABSTRACT

The business agility concept reflects an organization’s need to develop sensing capabilities for being able to respond to changes in the business environment. Therefore, intelligent information systems are needed to support decision makers with accurate and timely information. Since corporate reputation is among the most valuable assets, organizations need efficient measuring techniques to manage it. Recently, due to the advent of social media new reputational challenges have emerged for firms, since such technologies significantly increase the risk for being associated with negative issues. Therefore, organizations should utilize there IT-systems for actively sensing social media content as a basis for a quick response to reputational threats. Accordingly, the authors provide an empirical example on how firms might improve reputation management through sensing social media. Specifically, the authors analyze a dataset of 271,207 messages about an American Bank collected on Twitter. For their empirical investigation, the applied automated sentiment analysis and manual content analysis.

Keywords: Business Agility, Business Intelligence, Microblogging, Reputation, Social Media, Twitter

1. INTRODUCTION

Today’s organizations are increasingly faced with unpredictable up- and downturns of demand, changing regulatory requirements, strong competition, and rapid technological advancements. In reports issued by PriceWaterhouseCoopers (2012, 2006) the last decade is described as years of rapid change characterized by high uncertainty and volatility, recounting a series of events such as, the popping of the dot-com bubble, the September 11 terrorist attacks, the Iraq War or the significant rise of emerging market economies (Sull, 2009). In 2008 the development peaked with the fall of Lehman Brothers and the ensuing global economic crisis which lead to the recent economic turbulences in Europe. As a result, companies worldwide

DOI: 10.4018/ijbir.2013070104
have been battling to survive, to sustain and to grow against the increasing economic challenges of the market.

Under such conditions, enterprises must be able to detect and react to environmental changes, such as those mentioned above, in a rapid and effective manner to operate economically and to stay competitive (Overby et al., 2006). In the literature, an organization’s capacity to achieve this is captured by the concept of business agility (Goldman et al., 1995). In short, the concept suggests firms to actively sense their business environment for being able to quickly respond to opportunities and threats and to achieve superior performance (Day, 1994; Sambamurthy et al., 2003). Within the last couple of years the question of how information technology (IT) might help in shaping a firm’s agility has gained more attention, specifically with respect to sensing environmental changes (e.g., Sambamurthy et al., 2003; Tallon & Pinsonneault, 2011). The reason for this is that the sources which might be sensed have become increasingly digitized due to new technological developments, thereby providing new opportunities for firms to gain valuable insights about markets, customers or competitors (Roberts & Grover, 2012; Sambamurthy et al., 2003). In this regard, social media technologies such as blogs, microblogs or social networking tools seem to be a promising data source for improving an organization’s sensing capabilities (Larson & Watson, 2011; Roberts & Grover, 2012). According to a recent published study (InSites, 2010) the number of world’s public social media users has almost reached 1 billion; the public microblogging platform Twitter alone accounts for more than 100 million active users who post up to 250 million messages per day (Parr, 2011). Thus, switching from physical to online communication, people now leave their personal thoughts, opinions and needs on almost anything on the web (Jones et al., 2009). From a sensing perspective, organizations might extract valuable information from these data, such as customer’s buying intentions for products or perceptions of the market regarding certain issues (Larson & Watson, 2011). Hence, user generated content on social media websites might be a valuable source for enhancing an organization’s knowledge about the market and for detecting changes and new developments in the external business environment.

Exploring new approaches for achieving business agility we thus analyze how IT might be used to enhance an organization’s sensing capabilities through analyzing social media content. Specifically we focus on the management of corporate reputation (CR) which is considered an intangible asset that can contribute to a competitive advantage in the marketplace (Barney, 1991). Moreover achieving a bad reputation is a substantial risk for firms and may lead to loss of customers, suppliers, employees or investors (Fombrun & Shanley, 1990; Scott & Walsham, 2005). In this regard, the emergence of social media platforms such as wikis, blogs, and microblogs significantly increase a firm’s risk for being negatively associated with a specific issue (Jones et al., 2009). Users of these new technologies can now spread their opinion freely, unfiltered and at the speed of thought to many other people (Dellarocas, 2003). Since a firm’s stakeholders such as, e.g., customers, investors or potential employees increasingly rely on information from these sources, content on social media platforms can significantly impact a firm’s business performance and competitiveness (Rindova et al., 2005). Hence, for being able to respond quickly to reputational threats, firms should carefully sense communication on social media sites to achieve business agility in turbulent business environments.

In the literature several authors have called for more research on the role of IT with respect to the question of how organizations can achieve business agility by improving their sensing capabilities (Dove, 2001; Overby et al., 2006; Roberts & Grover, 2012). Recently, other scholars have asked for studies that help to better understand the value of social media for business (Kietzmann et al., 2012; Larson & Watson, 2011; Richter et al., 2011). This article responds to these calls by combining and extending both streams of research. In particular and according to the argumentation above the goal is to enhance our understanding of how organizations can achieve business agility through
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