

Reputational risk in digital publicity

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Paper presented at Viestinnän tutkimuksen päivät, 12.-13.2.2010, University of Tampere, Finland.

Introduction

Reputational risks have become increasingly endemic due to the escalating use and significance of internet as a communication platform. The new power of internet's social media communities and social networking services has forced public relations professionals to embrace this new context of communication and to find new ways for monitoring and managing it.

In this paper we study how organizations evaluate reputation and detect reputation risk emerging in digital publicity (i.e. public arenas of social media and social networking services such as blogs, discussion boards and wikis). On conceptual level, we build on existing research on reputation risk, organizational communication, management studies and studies on online communication. On empirical level our findings are based on qualitative analysis of interviews from 17 Finnish communications and risk management professionals.

Reputation as narratives

Reputation matters. The loss of a good reputation has been considered one of the greatest risks to contemporary organizations (Murray 2003) and decline in reputation will result in both internal and external distrust, raising the costs incurred from customer appeasement as well as the monitoring and control of organizational members. A global risk management survey 2009 conducted in leading organizations in 40 countries listed reputation risk as number six on list of most pressing risks (Aon 2009). The top three of list are economic and business risks, which is probably affected by the global recession. In the same survey in 2007 reputational risk was listed as number one.

Reputation can be approached from three different perspectives: reputation as capital, reputation as narratives or reputation as citizenship (Aula & Mantere 2005). Following the narrative view we define reputation from the perspective of organization as a discursive construction (see e.g. Aula & Mantere 2008, Boje 2001, Deetz 1986, Czarniawska 1997). According to this view the organization is a continuously transforming set of meanings, which is presented to its stakeholders as signs, symbols and narratives. Accordingly, the organization's environment should be seen as communicative sphere of meanings or the "market of meanings" (du Gay 2004). Thus following the interpretative view, reputation risk can be defined as a threat to reputation; socially defined and (in some cases) socially constructed (Scott and Walsham 2005). This means that risks "only exist in terms of the (scientific or anti-scientific) *knowledge* about them. They can thus be changed, magnified, dramatized, or minimized within knowledge, and to that extent they are particularly *open to social definition and construction*" (Beck 1992, 23 cited in Scott & Walsham 2005; original emphasis).

Our interpretative approach on organizational reputation suggests that reputation is not only an intangible asset and thus a cognitive formation, but also a narrative and a communicative construct; it consists of a collection of stories told about an organization, which, in fact, *define* the organization

(see e.g. Smythe & al. 1992). Reputation is a continuously developing set of beliefs, evaluations and expectations, and it is built and modified in communicative action between different publics over time. Reputation is based not only on the public's direct experiences with the company, but also on any other form of communication and discourses that provide information about the organizations' actions (e.g. Gotsi & Wilson 2001). The situations or places in which reputation is formed can be metaphorically called *arenas*. Reputational arenas can either be *institutionalized* or *personal* (see Aula & Mantere 2008). While institutionalized arenas are formal and controlled, personal arenas involve dialogic, informal and dissipative communication, which tends to shatter predominant meanings.

Narratives online

The recent changes in online environments have turned communication multifocal and more complicated. In this new situation an organization needs to communicate bilaterally with its stakeholders, in addition to which the stakeholders are communicating with one another (de Bussy, Watson, Pitt & Ewing 2000). Manuel Castells calls these new dynamics of information processing as *mass self-communication* (Castells 2009). We argue that in digital publicity reputation and reputational stories are increasingly built by the public – they are, in part, a construction of “collective mass self-communication”.

Internet users and organizations encounter within different virtual arenas and actions, and all these encounters give meanings to the organization and its actions (Aula & Mantere 2008). In virtual contexts the distinction between institutionalized and personal arenas is also narrower than within traditional media; links build fast passages between content, reader comments are written just right below a piece of news and several blogs are publishing journalistic content. Reputational risk in context of discursive reputation can be determined as risk of stakeholders creating organizational narratives that differ from the actual organizational narrative or its desired narrative.

Narrating reputation in social media

In VTT's (Technical Research Centre of Finland) research report *Making Sense of Social Media* researchers define social media as *tools, spaces and modus operandi for people interacting with each other, creating, sharing, exchanging and commenting contents in virtual communities and networks* (Heinonen & Halonen 2007, 6). In his thesis Jussi-Pekka Erkkola defined the concept of social media using concept analysis method: Social media is technology-bounded and constructed process, in which individuals and groups are creating shared meanings through content, communities and communication technologies, using peer production and consumption (Erkkola 2008, 83).

In common to these definitions is the combination of *users* creating and using *content*. However, what is substantial to an organization is to perceive social media as an *arena*, on which the stakeholder groups are exchanging information and opinions and thus creating reputational narratives concerning the organization or its brands. These narratives do not necessarily equate with the narratives created by corporate communications. In social media publicity reputational risks actualize through *gaps*: when various publics are creating reputational discourse differing from the actual behavior of the organization; or if the beliefs and expectations of the public are shifting and evolving in digital conversations and the organization fails to manage these expectations (see Eccles & al. 2007).

In social media arenas the initiative is within the publics; the organizations involvement in social media is not a choice made by the organization but for the organization. The world knows some popular examples of emerged reputational risks created or affected by social media. In Finnish publicity the most famous ones are probably the case of restaurant Lehtovaara (where a blogger published letter correspondence concerning bad service at the restaurant) and the case Esko Kiesi (sales manager of Audi Finland made unfavorable comments on female gender and got wide publicity in traditional and social media, later he quit his job). Internationally the range is wider. In 2009 United Airlines got negative video publicity after refusing to compensate a broken guitar to a customer, who then wrote songs on the issue and published music videos on YouTube¹. Clothing company H&M got their own trashgate² in New York when a student found destroyed, unsold clothes in garbage bags outside H&M store and informed the New York Times. H&M refused to answer the journalist, but the story went on to microblogging service Twitter where the fire was soon out. Only after social media was involved the company gave their first statement on the trash bags.

The latter is also a great example of *remediating* content in social media contexts: issues brought up or cultivated by social media users become headlines and vice versa. A study on organizational reputation narratives in social media services shows that even though the topics in social media services often originate from mainstream media, the online audience is not a passive replicator but actively gives new interpretations and meanings to media content (Laaksonen 2008). However, the most important and widely used route to reputational narratives in social media is the use of search engines. Social media services are very popular among internet users, and this ensures they also rank high in search results – even the information search itself is social. And as the proverb of the web era says: *Google never forgets*. To sum it up, digital publicity is a complex combination of mainstream media, social media and search engines.

Reputation risk in digital publicity

Seventeen communications and risk management professionals in Finnish companies were interviewed for this study. They were asked to describe reputational risk and the role of internet and social media in emerging reputational risks and reputation management. We used the basic conceptual founding of the SWOT analysis³ in order to categorize different discourses describing the risks and opportunities digital publicity in social media brings to corporate communications and corporate actions in general. Introductory analysis shows that the role of online communication is recognized and is expected to grow in future years. However, the professionals denote that the importance of the medium varies depending on the line of business, the firm's unique characteristics and even on arbitrary things such as timing or the current business situation. Findings of the analysis are summarized with sample quotes in Table 1.

Speed and extent of communication in the internet were seen as both the strongest and most threatening characteristics of the medium. Other notable strengths mentioned were the amount of information available and the internet's increasing role as an information source, especially for the

¹ Wikipedia: United Breaks Guitars. Visited Feb 5th 2010. http://en.wikipedia.org/wiki/United_Breaks_Guitars

² eConsultancy: H&M's Trashgate: A lesson in social media. Visited Feb 5th 2010. <http://econsultancy.com/blog/5221-h-m-s-trashgate-a-lesson-in-social-media>

³ A SWOT-analysis refers to a "strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or business venture, industry or marketing evaluation" (Wikipedia.com, visited Feb 10, 2010).

future generations. Also the increasing demand for openness and transparency in organizational action was seen facilitated by the Internet and as a positive merit for the medium. The *weaknesses* discourse concentrated mostly on the lack of monitoring and surveillance, resulting in randomly distributed content, which is often hard to find. Even though the interviewees qualify digital publicity as a good place to seek for weak signals, they also admit it is difficult to define when a weak signal grows so strong it should be attended. Other negative traits mentioned were the domination of feelings, which could cause misinterpretation or spreading disinformation.

The *opportunities* discourse sees the digital publicity in social media as a democratic place for public opinion, openness and transparency, which pushes corporations to act responsibly. According to the *threats* discourse the online world a wind tunnel full of negative feelings, boycott campaigns, and deliberate disinformation. The interviewees see social media as a public arena to perceive opinions and conversations but nevertheless as a difficult tool for reputation management. Clearly the professionals are not sure how to efficiently find the relevant conversations, how to define their significance and how to react if and when necessary.

Overall, the threat discourse is very dominant. The interviewees agree that word of mouth is spreading faster and effectively through online social media, and admit this flow of information is very difficult to block. Social media is seen mostly as a medium for consumers to express dissatisfaction and bad experiences. The interviewees are not confident how likely these feelings will escalate actual behavior. Interactive services and elements are often seen to be primarily in the hands of the public, only rarely as a tool or opportunity for the organization. Using social media as a tool for reputation management is found difficult and slippery – a business where companies are easily stigmatized as manipulators.

Table 1: Findings of the analysis: elements of SWOT-discourses and sample quotes.

<p>Elements of the strengths discourse</p> <ul style="list-style-type: none"> - speed - increasing importance as an information source - increasing demands for openness and transparency - low costs - amount of information available - interactive elements 	<p>Elements of the weaknesses discourse</p> <ul style="list-style-type: none"> - lack of monitoring or surveillance - randomness - information labyrinth: reputational narratives are hard to find - risk for false information and deliberate disinformation - over-pronounced power of feelings - defining significance: when is a weak signal strong enough?
<p>Sample quotes</p> <p><i>Kun me toimitaan nykyään niin, että tämä pelikenttä on onneksi läpinäkyvämpi ja informaatiota saadaan enemmän, niin myöskin tavallaan maineen tuhoaminen on helpompaa Internetin kautta. Se on antanut sekä informaatiota että välineitä rankaista.</i></p> <p><i>- - sieltä tulee niitä heikkoja signaaleja ja ne voi olla joskus aika isoja vaikutukseltaan.</i></p> <p><i>- - jos yritys ei toimii eettisesti oikein tai siellä on jotain pimeitä asioita, niin silloinhan nämä mediat, nämä yksilöt taas voivat paljastaa niitä, jolloin muut voivat</i></p>	<p>Sample quotes</p> <p><i>Musta tuntuu, että se on osittain täysin sattumanvarasta ja osittain sen hetkisestä toimintaympäristöstä riippuvaista.</i></p> <p><i>Sosiaalinen mediahan on... siinä on se, että YouTubeen kuka tahansa voi laittaa mitä tahansa eikä yrityksillä ole siitä kontrollia tai mahdollisuutta hakea sieltä asioita pois.</i></p> <p><i>... kun se on mennyt vähän siihen, että se joka huutaa koviten, niin sen ääni kuuluu ja se on usein hyvin tunnetuista. Ja jos sä yrität siihen yrityksen puolelta vastata</i></p>

<p><i>puuttua ja se meneekin just niin kuin toiseen suuntaan, jolloin uskoisin, että ne kuprut paljastuu sosiaalisten medioitten kautta.</i></p> <p><i>Tietysti, kun sen käyttö viestintäkanavana ja tiedonvälityksessä kasvaa koko ajan, niin kyllä sen merkitys on myös maineen kannalta hyvin tärkeä ja se on monille ehkä sellainen, että se on muutakin kuin vain se luettu juttu lehdessä tai se luettu mainos, vaan siinä on paljon enemmän. Siinä on toiminnallisuutta ja siinä on kaikkea muuta - -</i></p>	<p><i>tämmöisellä järkevällä argumentoinnilla, niin se ei lyö läpi sen tunnekuohon. Se tunne on ehkä siellä voimakkaampi kuin välttämättä faktat.</i></p> <p><i>Niitä heikkoja signaaleja ehkä voi löytyä jos joku iso ryhmittymä syntyy tiettyyn saittiin, joka rupeaa vaati- maan jotain ja kun sinne tarpeeksi paljon tulee nimiä, niin kyllä varmaan ei ole enää heikkokaan signaali vaan vahva signaali, että pitäis tehdä jotain, pitäis reagoida. Mutta kovin helposti ei löydä kaikkea mitä siellä tapah- tuu ja mitä kerrotaan.</i></p>
<p>Elements of the opportunities discourse</p> <ul style="list-style-type: none"> - speed - increasing importance as an information source - power of crowds - emphasis on good corporate actions - visible place for public conversations - information penetration - imago marketing (viral) - remediation - expressing the company's view 	<p>Elements of the threats discourse</p> <ul style="list-style-type: none"> - predominance of negative information - deliberate disinformation - difficult to correct information - speed - powerful individuals - online behavior of own employees - finding the right person with right information to participate - missed conversations - power of rumors - remediation - accusations for manipulation
<p>Sample quotes</p> <p><i>Pitää muistaa, että sosiaalisessa mediassa myöskin syntyy tämmöisiä kuluttajatarinoita, sillä tavalla, että syntyy kuluttajia joiden blog saa paljon yksittäisiä kulut- tajia ja syntyy hahmoja, kuluttajaliikkeen edustajia ja silloin yksittäisellä kuluttajalla saattaa olla aika tavalla...</i></p> <p><i>- - sosiaalinen verkko on tulevan sukupolven pääasialli- nen media ja sitä myötä valtavan suuri mahdollisuus.</i></p> <p><i>Siinä suhteessa jokainen tämmöinen pienikin asia, joka voi vaikuttaa maineeseen, niin siihen kannattaa heti puuttua ja korjata se asia. Ottaa kiinni ja just tällä taval- la vaikuttaa.</i></p> <p><i>- - noin nykypäivänä Internetissä tai ylipäänsä verkois- sa, missä käydään julkista keskustelua, niin siellä kai voi vain aistia ainakin sitä, mitä yrityksistä noin yleensä ollaan mieltä, mitä siitä kerrotaan ja näin pois päin.</i></p> <p><i>Mutta tällä puolella tietysti se yrityksen mahdollisuus onkin tuoda sitä omaa näkemystään esille, niin että on itsekin aktiivinen toimija ennen kuin se ongelma on päällä.</i></p>	<p>Sample quotes</p> <p><i>Word to mouth on Internetin ja muun kautta niin paljon laajempi kuin se on ehkä ollut aikaisemmin. Eli mä us- kon, että paikkaaminenkin on entistä hankalampaa. Ja tavallaan, kun sitä pystytään myös nimettömänä levit- tämään ja muuta, niin siihen on hyvin paljon vaikeampi vastata ja yrittää paikata kaikkialla missä ehkä vuotaa edelleen.</i></p> <p><i>Se on vaikea saada se hyvä viesti, mitä meillä ehkä olis annettavana. Senhän näkee esimerkiksi kun lukee näitä, osittain blogeja ja osittain näitä keskustelupalstoja mitä on eri lehdillä, niin hyvin harvoin siellä on positiivista palautetta. Sinne on kyllä kerääntyneet ne ihmiset, jotka on vihaisia jostakin.</i></p> <p><i>Enemmän siellä mun mielestä oli riskejä, koska jos sosi- aalista mediaa yrittää hyödyntää, siinä aika nopeasti päätyy semmoiseen tilanteeseen, että saa leiman että yrittää manipuloida todellisuutta ja se ei ole kauhean hauska leima.</i></p> <p><i>Yksittäinen kuluttaja voi saada kuitenkin ympärilleen enemmän voimaa kuin verrattuna siihen, mitä hän voisi saada yksin, nimenomaan tämän nykyaikaisen viestint- än avulla.</i></p>

Conclusions

Our study shows that communications and risk management professionals define reputational risk as a risk affecting an organization's intangible assets. However, reputational risk is typically interconnected to other operations in the organization. The interviewees clearly note that failures in other areas lead to reputational risk exposures both offline and online. When thinking of social media environments the interviewees see that a smaller failure can get more publicity than it would without the aid of online communications.

Digital publicity is polyphonic and comprises many players. The mainstream media is involved in this public sphere, but the power is increasingly on the ordinary people. This makes social media not just a threat but a useful tool: it is a mirror depicting the consequences of public relations and organizational public activities. When used right, it may become a catalyst for reputational stories, but if used poorly it rather turns out to be a meat chopper instead.

Certainly the most interesting question is how to measure, evaluate and control the reputation in social media. We highlight that the construction of reputation in online context is only partly affected or a direct outcome of corporate communications or reputation management practiced within the organization (see Aula & Vapaa 2006). Instead it's a complex process affected by professionals, journalists, publics, customers and employees. The very least an organization should consider to do is to keep their eyes open and follow the conversations.

Reputation management in digital publicity can be conceptualized as an intention to produce desired realities through aiming at certain types of encounters. Social media request innovative reputation risk strategies: a parallel and quite different view of what constitutes an organization's environment. And then again, maybe nothing that new; in social media organization cannot just look good, it has to *be* good. This is clearly what our interviewees also daresay: if you're doing your business well and keep your backyard clean, the risk for reputation loss decreases both online and offline.

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This paper is based on a Tekes funded project called *Digital Reputation; Characterizing and parameterizing reputation, reputation risks and the impact of digital publicity on client/customer intelligence and the competitive advantage of service organizations*. Partners in the project are University of Helsinki, Aalto University School of Economics and University of Turku. The project's future directions include further defining reputation management in digital publicity by building on existing research on reputation risk, organizational communication and management studies and studies on online communication. Our multi-discipline approach also introduces linguistic tools and methods in order to develop a framework for reputational modeling and analysis of digital publicity contents. In later phases of the research project we will use EEG, facial AMG and EDA measurements to study emotional and motivational processes associated with digital reputation.

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