

Reputation and online buzz

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Reputation is an asset to cherish, whether corporate, institutional or personal. In the age of social media, however, reputation is more fragile than ever. News of a simple mistake or misjudged action can spread rapidly via social networking sites. The ill-judged video, the angry response, the tasteless joke, the inappropriate photograph... In the past, they would reach very few people and would be quickly forgotten in the print era, unless particularly gruesome. Today, Twitter and YouTube and a legion of citizen journalists will prevent the Internet from ever letting you, your friends, family, customers or membership from ever forgetting even the most trivial of faux pas.

Thierry Warin, Associate Professor of International Business at HEC Montréal and Vice-President of Strategy and International Economics at Cirano (Canada) and colleagues Nathalie de Marcellis-Warin, William Sanger, Bertrand Nembot and Venus Hosseinali Mirza of the Polytechnique Montréal, have turned to game theory to help them understand corporate reputation in the age of [social media](#). Their results serve as a warning to corporations to be ready to protect their reputations more vehemently than ever before. They also suggest that it is essential for companies to be aware of the risks associated with social media and [social networking](#) in terms of "buzz" and the potential to "go viral" in the context of bad publicity or those aforementioned faux pas.

"More and more companies are exposed to the judgment of social media," the team reports in the International Journal of Economics and Business Research. "On the one hand, local companies can be criticized by local consumers on media such as Facebook, while on the other hand,

global companies can be criticized by consumers anywhere in the world." At the time of writing, Facebook has a "population" akin to that of China or India, with almost 900 million daily users. Other social sites also have memberships numbering in the hundreds of millions and current estimates suggest that around 40 percent of the world's population now have Internet access, 20 years ago it was just 1 percent. There is plenty of scope for sharing of both information and disinformation across the globe.

Events with the potential to damage reputation might include news of a genuine problem shared, hoaxes, libel and slander, activist activities and industrial sabotage. Whether or not the event will have a significant impact will ultimately depend on whether or not the wider social media is interested and thus whether the issue is shared widely enough that it reaches critical mass and "goes viral" to the detriment of the company, institution or individual.

Fundamentally, the team's [game theory](#) model of commercial reputation versus social media buzz demonstrates that those corporations that do not set much store by social media and are not concerned with their reputation in this sphere will struggle to contain the "buzz" in the face of an adverse event and so it will take longer for the buzz to die down. Their reputation may never recover in some cases, stock prices can plummet and companies can go out of business. "From a management perspective, this model helps us advocate in favor of a strategy that consists in investing a lot of resources in brand building," the team says. "Brand building strategies are an efficient investment. It may prevent a buzz in case of an adverse event by convincing social media users that they should play the coordination strategy. But even in the case of a buzz, having a high level of [reputation](#) as a result of brand building strategies help reduce the recovery time."

More information: Warin, T., de Marcellis-Warin, N., Sanger, W.,

Nembot, B. and Mirza, V.H. (2015) 'Corporate reputation and social media: a game theory approach', *Int. J. Economics and Business Research*, Vol. 9, No. 1, pp.1–22.

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