Corporate Reputational Risk Management: The Power of Social Media

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Essentially, since the rise of social media applications, businesses fear the adverse effects of bad news or publicity. Consumers are actively engaging with businesses in shaping and co-creating social content triggering the exposure of reputational risk. Social media have changed the way people communicate in terms of pace and reach of communication, therefore content on social media can turn into a threat and the threat can turn into a rapid communication crisis. The prevailing dilemma organizations are facing is that while they recognize the importance of social media interaction, they tend to lack corporate capabilities to manage crisis communication effectively. This thesis provides specific guidelines for reputational executives on how to apply certain strategies based on their social direction and internal capabilities. Further, in order to mitigate the risk of a social firestorm, the author will highlight a "Social Media Matrix" to support organizations in proposing a specific strategic orientation based on internal and external factors.

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1. THE POWER OF SOCIAL MEDIA AND ITS INFLUENCE ON CORPORATE REPUTATIONAL RISK

What do have companies such as United Airlines and Primark in common? They are not only successful multinational corporations, but they are also vulnerable to the adverse effects of social media interaction. As an illustration, Primark with over 280 stores across the UK, Ireland and Europe (Primark, 2015), was heavily accused on social networks for using child labour as their primary source for garment production, which demonstrates irresponsible business behaviour. BBC encountered and exposed the sweatshops conditions through an undercover investigation and what they found was that "*child homeworkers were used to carry out intricate embroidery and sequin work*"(Perry & Towers, 2009, p. 379). On YouTube the documentary "Primark on the Racks" went online on March 20, 2011 reaching more than 90,000 clicks (YouTube, 2011), affecting an extraordinary public attention and damaging Primark`s image and reputation (Perry & Towers, 2009). This predominantly shows the power of social media, which is characterized as the interaction between participants, who "*freely send, receive, and process content for use by others"* (Aula, 2010, p. 43). The power also in terms of speed of social media has increased tremendously, due to the opportunity participants get, to voice their support for or against corporate business activities.

This is especially true, when considering the case of a musician who travelled in 2008 with one of the world's biggest carriers "United Airlines", which broke his 3.500$ guitar and refused compensation (Aula, 2010). Extremely outraged about the misbehaviour from the company the musician wrote and performed the so-called "United Breaks Guitar" song on YouTube. Within days, the video was watched by millions of users and until recently viewed by more than 15.000.000 users (YouTube, 2009), generating a widespread circulation, far beyond YouTube, among other social media applications such as - blogs, online forums and news websites (Aula, 2010). For example, Time.com stated on their website that "United Breaks Guitar" is one of YouTube`s best videos, and was even a big hype on the broadcast show CNN Situation Room (Kietzmann, Hermkens, McCarthy & Silvestre, 2011). Facing the reality that bad news is shared faster than good news, United Airlines admit their failure and declared the willingness to pay the compensation to the musician. This is another significant example how users of social media channels are able to put pressure on corporate organizations.

It becomes apparent that corporate organizations face the dilemma that the content and communication about themselves on social media platforms cannot be controlled in advance. Traditionally, it was easier for corporate organization to have absolute control over their reputation by controlling the amount and volume of information related to corporate activities (Khatiban, 2012). This task was majorly performed by public relation managers who focused essentially on well-designed press announcements to mitigate the exposure on reputational risk (Khatiban, 2012). Currently, traditional reputation management has been replaced by online reputation management, redefining the way of public relations and communication activities.

Matters have changed and corporate organizations have only limited control over activities raised by customers on social media platforms (Kim & Joeng, 2012). Such activities might affect or damage the reputation of corporate organizations, which has various consequences on reputational risk management. For instance, Aula (2010) clearly defines that losing one`s reputation may lead to "*the loss of reputation* [affecting] *competitiveness, local positioning, the trust and loyalty of stakeholders, media relations, and the legitimacy of operations, even the license to exist"* (p.44). Essentially, there is a need for corporate organizations to control the information flow on social media applications to safeguard themselves against reputational risk (Khatiban, 2012). Since the emergence of Social Media, there is an enormous rise in scientific publications on the topic of reputation management (Barnett, Jermier, & Lafferty, 2006). It is often claimed, that the web 2.0 has changed today's business world and also the way companies have to deal with reputation management.

The three main pillars for the change are categorized by Constaninides & Geurts (2005) as:

- the declining effects of traditional marketing,
- decreasing customer trust and
- increasing customer power due to more alternatives, more information and more transactions

Similarly, Shirky (2008), revealed that customer's power has highly increased, which is based on the enormous flow of free unfiltered information. The main reasons for this can be found in the online access to new information sources and availability of more choices due to the emergence of web 2.0 (Constantinides & Fountain, 2008). The nature of Web 2.0 increases customer power, since everyone can publish his or her opinion about any topic to a broader audience, which can increase adverse effects (Gaines-Ross, 2010).

Marketers started to use Social Media for different purposes, for instance to promote their brand, product or service or also for the purpose of crowd sourcing (Gao, Barbier, & Goolsby, 2011). Constantinides, Romero and Boria (2009) found that online retail is significantly growing and therewith the importance of online reputation is increasing as well. Customers often base their purchase decisions on online rankings or feedbacks (Archak, Ghose & Ipeirotis, 2011) and online reputation management today is one of the top concerns for many business executives (Kaplan & Haenlein 2010). This is also shown by the fact that most top reputation management companies, for example Reputation management consultants (California) and SEOP (California), name "online reputation" firstly and as the most crucial point. Today, corporate organizations are at a higher risk of suffering negative public relations, because they have limited control over the content which stakeholders share (Khatiban, 2012). Therefore, corporate organizations have been forced to develop tools to manage their online reputation and relation (Khatiban, 2012).

1.1 The Dilemma of Managing Social Content

Ross, found in 1975, that organizations use various models and tools to increase customer experience and boost their corporate reputation. At that time he was referring to traditional marketing tools such as television advertising (Khatiban, 2012). It seems that social media are perceived differently by marketers compared to traditional media applications. Organizations tend to focus more on social media rather than on traditional media when it comes to reputation management (Khatiban, 2012). Constandinides (2005) found that user generated content is more trustworthy and Web 2.0 becomes a valuable source for managing reputation. Botzenhardt, Witt & Maedche (2011) among others found how platforms also could be used for the purpose of product development, which is a feature that traditional or conventional media do not offer. Certainly, social media are everywhere and offer users the opportunity to voice their support on corporate activities. On the other hand it is seen as an important tool for organizations, to mitigate corporate reputational risk.

Noteworthy in this context is that well-designed management tools not only support organisations but also professionals and practitioners in their decision-making process. Kietzmann et al. (2011) provide evidence that (...) *many executives eschew or ignore this form of media because they don't understand what it is, the various forms it can take, and how to engage with it and learn*" (p.241). Managers tend to recognize the importance of reputational risk, created by social media content, but they mostly avoid or neglect to implement appropriate management strategies. The primary reason for the poor awareness is that managers lack capabilities to manage reputational risk. Scholars evidentially illustrate that there is insufficient information on how to manage reputational risk based on social media content (Aula, 2010). Therefore, the major aim of the current thesis, based on a literature review, is to provide and outline tools and methods on how organisations could mitigate the reputational risk exposure related to social media. Therefore the research questions are stated as follow:

"How could corporate organizations mitigate the exposure of reputational risk related to social media applications?"

"What are essential tools organizations could use to manage the negative impact related to social media content effectively?"

1.2. Defintion of Key Terms

Gotsi & Wilson (2001) published a paper with the title "Corporate Reputation: Seeking a definition." Their findings reveal, that there is a significant link between corporate image and corporate reputation, which is of major importance for the current thesis, since the image of an organization might be affected by the content of social media applications. Kietzmann et al., (2011) defined reputation management in more practical terms and refer to it simply as trust of users in a company, a product or a service. After analysing the perspective from a broad range of scholars on the topic corporate reputation, Gotsi & Wilson (2001) concluded with the following overall definition: "*A corporate reputation is a stakeholder's overall evaluation of a company over time. This evaluation is based on the stakeholder's direct experiences with the company, any other form of communication and symbolism that provides information about the firm's actions and/or a comparison with the actions of other leading rivals"*(p.29). The author of the current thesis also largely shares this viewpoint, because the interest group is clearly defined as stakeholders and that communication between the organization and stakeholders play a key role within the whole process of reputation management. Reputation management covers also the aspect of reputation threats, defined as a lack of customers trust in company's actions, resulting in adverse effects on public relations (Kuikka & Äkkinen, 2011). Damaged public relations come along with several negative impacts for organizations such as reduced sales, loss of trust, loyalty, and competitiveness. Additionally, an alienating effect may incur, customers don't want to be linked to products or services from organizations with bad reputation. In the long-term organizations that fail to safeguard a strong public relation, based on reputation management, might end up facing additional cost to recover and gain back their valued customers. (Kuikka & Äkkinen, 2011).

Reputation risk is one of the business risks that organizations need to face in their ordinary course of business activities. It could be defined as operative risk, which considers "*non-functioning to poorly functioning internal operations, systems, people, or external events that cause direct or indirect losses to an organization"*(Aula, 2010, p. 44). According to Agnes (2013) reputation at risk through social media content increases when four key questions could be answered with Yes.

- Does the content or subject produced by users affect negatively the reputation of the company?
- Does the content or subject produced by users affect negatively the firm's bottom line?
- Does the content or subject produced by users generate a "*strong negative emotional impact on stakeholders"*? (Agnes, 2013)
- Does the content or subject produced by users bear an increased risk potential of spreading among other social platforms?

If for all questions the answer is yes, the organization is exposed to reputation at risk. Bearing this in mind it becomes apparent that managers have a precautionary motive to minimize the reputational risk. Mostly, financial scholars argue that reputation at risk has financial implications, but it might also influence the loyalty and bonding of organizational employees (Aula, 2010). Important to mention is that even the existence of risk is seen as a general threat. Management should pay specific attention to the value proposition coming from efficient reputational risk management. Moreover management should acknowledge that reputation is a valuable asset, which considerably needs to be controlled at board level in every organization (Larkin, 2002). Based on the findings of Larkin (2002) there are common types of reputational risk, namely security failure, products/service shortfall, competitor targeting, unfair employment practices, damage to health, safety or the environment, inconsistency in policies/practices etc. to mention only a few examples. These consequences and the loss of reputation had been seen to occur either direct or indirect (Aula, 2010).

Another key term within this paper is Social Media. Kietzmann et al., (2011) outline that "*social media employ mobile and web-based technologies to create highly interactive platforms via which individuals and communities share, co-create, discuss, and modify user generated content*" (p.241). Similarly, Whelan, Moon & Grant (2013) define the "*term 'social media' as overlapping communication platforms that rapidly developing* [Information and Communication Technology] *ICTs (e.g., the internet and 'smart' phones)*". Social Media and Web 2.0 are used as equivalent terms in this paper and refer to interactive platforms or networking application that allow users or consumers to create a public profile as well as share content among other users (Ellison, 2007; Kaplan & Haenlein, 2010, Aggarwal & Albert 2009). Facebook the worldwide largest social network site for example has more than 1.3 billion active users (Facebook Newsroom, 2015). Twitter another famous online networking service offers users to send and receive short messages, known as "tweets". Twitter has worldwide 311 million active users (Twitter Company Facts, 2015). The numbers already give a good impression that consumers heavily utilize online platforms, to share, create, read, modify and discuss social media content. Hanna, Rohm and Crittenden (2011) stated that Social Media deal especially with customer personal experience rather than proposed information by a certain company. The authors developed the model "The Media Ecosystem", which shows all kind of social media applications for sharing content (see Appendix 1). Although the name of the platforms may change and there are constantly new platforms arising, the idea of "interactivity" or "two-sided communication" stays the same.

The terms Conventional and Traditional Media within the current thesis refer to conventional forms of advertising, such as television, newspaper and radio. In comparison to social media, conventional/traditional media are primary a one sided way of communication with less interactivity between the organization and their customers. Conventional media do not offer the feature for customer to give feedback and allow only the company to make a statement. Hanna, Rohm & Crittenden (2011) referred to those media as mass media (see Appendix 1). In general three different ways of communication exist. Inform is defined as telling, revealing and passing information or facts to someone. Conventional media solely inform users. Social media go beyond that and can be used to communicate and interact. Communication describes the exchange of information between two or more participants. Interaction is seen a process, where the action of one user affects the reaction of another user.

2. LITERATURE REVIEW

In order to answer the research problem, relevant literature on the topic reputation management and social media is gathered from the academic search engines, Google Scholar and ScienceDirect. Entering on 15 September 15 "reputation management" in Google Scholar resulted in 21.500 listings. If "social media" is entered the listings peaked at 818.000. Similarly, ScienceDirect, resulted in 764 listings for "reputation management" and 13,897 for "social media". Most of the time Google Scholar was used to generate relevant information on the research problem. However, ScienceDirect was also used, to double-check if other sources were still available, in order to retrieve profound information on the topic. The major aim was to find recent scholars, but these resulted in very poor listings (e.g. 2015), therefore a large part of the literature comprises publication dates after 2002. Next to this the author tried to gather and use only information from high ranked journals such as Elsevier, other journals (e.g. ResearchGate) was only considered if retrieved information created a profound value in answering the research problem.

2.1 How Social Media Affect Corporate Reputation

From a traditional perspective, consumers tend to use the Internet for expending content, such as reading, watching, listening, and buying products or services (Kietzmann, et al. 2011). Nowadays, increasingly, consumers shift towards utilizing social platforms to create, share and modify internet content. According to Kietzmann et al., (2011) this aspect reflects the social media phenomenon, which can now substantially affect an organizations reputation, sales turnover, profit margins and even its existence. He states also that with the rise of social media it seems that "(…) *corporate communication has been democratized*" (p.242). The power of marketing professionals and public relation managers has been taken by individuals, who use excessively social media application to create, share and consume content. The worst scenario for organizations would be, if bad news were also shared with the support of social media applications.

Essentially, social media broaden the horizon of reputational risk and increase risk dynamics (Aula, 2010). This is related to the fact that users of social media applications produce mostly unverified information, which tend to be both, true and false. The information created and shared by users could differ significantly from what organizations publicly disclose (Aula, 2010). The content produced by the users cannot be controlled in advance, so organizations face the risk that certain information, if revealed true or not, would expose them or put them at disadvantage. Literature, argues for instance that in relaity an increased risk could be traced back on the mismatch between organizations reputation and its actual performance. (Eccless, Newquist and & Schatz, 2007). Moreover, a change in customer's expectation, based on corporative performance will boost reputation at risk (Aula, 2010).

The expectations and beliefs, of customers, on corporate performance might change over time and social media applications is used as a primary tool to voice their support for or against firm activities. As an example expectation generated by social media can cover the compliance of ethical principles or transparency related to business operations (Aula, 2010). Additionally, users of social media predominantly promote, express and spread their opinions about the future perspectives of organizations. Scholars reveal that there is a large amount of social media websites that call into doubt the accountability and administrative processes of organizations, they request transparency, to inhibit corporate irresponsibility (Aula, 2010). However, communication on corporate activities happens anyway, with or without, the permission of the firms in question (Kietzmann et al., 2011). Social media affect corporate reputation and organizations need to face the disadvantage that they have no control over the content. It is now up to firms, to acknowledge the importance of social media and taking part in communication with users, or simply ignoring it. Both scenarios have a significant impact on reputational risk (Kietzmann et al., 2011). This issue is also reinforced by BBC Business Editor Tim Weber (2010) who argues: ''*These days, one witty tweet, one clever blog post, one devastating video——forwarded to hundreds of friends at the click of a mouse——can snowball and kill a product or damage a company's share price*''. Aula (2010) explains, "*In social media an organization cannot just look good; it has to be good"* (p.46). After describing how social media affect corporate reputation, the next step is to illustrate the prevailing difference between conventional media and social media, and to what extend their key characterises influence corporate reputation.

To reveal how Social Media (SM) differ in key characteristics compared to conventional media (CM), and their affect on corporate reputation (CR), appendix 2 starts with a general visualization. It shows that social media as well as conventional media both have an influence on corporate reputation. The model clearly reveals that convectional media cover only a one-way communication, users have the chance to receive and read, but other users could not participate in the communication. Therefore the arrows move only to one direction, towards reputation management. On the contrary social media are an interactive process, where users are able to participate and write their own content. The rise of social media developed two different types of users (Aula, 2010).

The Conventional publicity, is created by conventional media, there are clear boundaries between stakeholders and the primary motives for sending-receiving are descriptive or informative by nature. The communication rules are fixed and publishing threshold are relatively high (Aula, 2010). Reasonably, users face a restricted access to decide or participate on the content of traditional mass media, such as television, newspapers and radio. Next to this aspect, the production of content is relatively expensive, since broadcasting is used as major channel for mass communication (Aula, 2010).

On the contrary the new generation of social media users, together with the stakeholders create an environment of ambient publicity. Social media and conventional media differ in terms of enabling interaction. Due to the ambient publicity users and organizations are able to participate in communications by writing, sharing and modifying Internet content (Aula, 2010; Kietzmann et al., 2011). Compared to traditional media, social media focus especially on disseminating information content, rather than solely focusing on sending-receiving content (Aula, 2010). The boundaries between stakeholders are unclear and the publishing threshold is almost non-existent, because participants are able to interact simply with one mouse-click (Aula, 2010). The direction of communication is many to one and many to many also known as mass self-communication (Aula, 2010; Qualman, 2010). Broadcasting was able to bring efficiently one show to millions of people, but the opposite was not possible, to bring million shows to one person. This is exactly the paramount feature of social networks (Anderson, 2007). For businesses it becomes substantially easier to reach minorities groups to do business with. Participants on social media applications use platforms as a medium to share their opinion and beliefs on certain topics. The distribution of content has dramatically changed from broadcasting towards crowd casting (Aula, 2010).

Consumer heavily rely on digital media not only to find products or services, but to motivate organizations they buy from, as well as obtaining valuable insights from other consumers (Hanna, Rohm & Crittenden, 2011). Within the context of reputation management, Aula (2010) argues that conventional media focus on the market environment, while social media predominantly focus on the environment of meaning. Market environment is defined as "*The collection of non-marketing influences that have an impact on a marketing manager's success in forming and keeping favourable relationships with desirable customers"* (businessdictionary.com). Through the traditional way of communication, organizations were hardly able to promote interactivity. Nowadays organizations actively use the content of social media to obtain instant feedback, in order to understand prevailing customer needs. This viewpoint is largely shared by the authors Hanna, Rohm & Crittenden (2011) by arguing "(…) *new social media-driven business model [is] defined by customer connectivity and interactivity, content goes hand in hand with technology, producing far-reaching effects for the way marketers influence current and potential customers*" (p.266). The customer's connectivity and interactivity could have an influence on corporate reputation, if for example harming and unverified information is shared among media channels. Connectivity and interactivity is a fundamental feature of social media, and through the focus shift in environment of meaning, organizations face a higher risk in managing their reputation (Aula, 2010). Notably in this context is the term environment of meaning, which is defined as "*as a function of how shared knowledge is distributed across individual minds"* (Dressler, Balieiro, Ribeiro, & Santos, 2009, p. 94). In practice, conventional media deal especially with the distribution of information, details and facts, while social media cover mostly images, symbols, stories and rumors, which are interactively shared among users (Aula, 2010).

Organizations should be aware that the users play a key role within the whole process of reputation management. They need to put a great deal of effort and time to understand the interactions between participants (Fong & Yazdanifard, 2014). Users of social media have the chance to provide feedback, for example on purchased goods or services, in order to share the experience with others. To get a better overview on how such interaction between users works, Burby, Atchison & Sterne (2007) developed the Social Feedback Cycle.

2.1.1 The Social Feedback Cycle

The Social Feedback Cycle is a model to describe consumer's purchasing behaviour on social media platforms (see Appendix 3). These decisions are mostly based on previous experiences of customers who purchased or used the service. The first three purchasing phases are "Marker Generated" and the remaining three phases are categorized as "User generated". Awareness as the starting point of the Social Feedback Cycle describes "*The knowledge or perception of a situation or fact*" (Dictionary.com). In this special case the customer is aware that a product or service exists. The consideration phase, is part of the purchasing phase in which the potential customer develops an interest or desire for a particular product/service. The purchase phase is also known as action phase where the considered product/service is bought. The fourth phase is Use, where the customer positively or negatively experiences the specific product/service. Form opinion, as the next phase, is as the term indicates the customer's generated opinion about the product/service, whereas the opinion could be positive or negative. The final phase is a key part within the whole purchasing phase. The figure clearly illustrates that there is a conventional loop, which links the experience of an existing customer with the thoughts and beliefs of a potential customer. From a theoretical point of view the experience of the past customer find the way back to the Consideration phase, where it is used to determine the next purchasing decision. Noteworthy to mention is that word of mouth plays a significant role within the purchasing process. This viewpoint is also largely shared by Fong & Yazdanifard (2014), who argue" "[that] *a big part of online customer interaction is word of mouth communication and it influences on a person's evaluation and will to purchase a product"*(p.24). Essentially, this is a huge opportunity for organizations to utilize the data produced by their customers. It could serve as an input for continuously improving product specifications in order to boost sales. The communication between social media participants is the latest form of consumer socialization, which has a fundamental impact on consumer decisions and firm based marketing strategies (Fong & Yazdanifard, 2014). Forrester Research latest report claims that businesses need to move towards an agile commerce model by shifting away from traditional multichannel commerce to "touchpoints" of interaction. Customers make heavy use of these touchpoints to interact with companies, "*such as stores, branches, call centers, and websites" and emerging interactions such as apps, social media, mobile sites, SMS messages, and interactive advertising"* (Walker, 2011). Firms engaging with customers should utilize these emerging touchpoints to serve customers.

Organizations who recognize the importance of communicating over social media channels tend to develop better value propositions for their customers. In the long run the activities implemented by organizations to build public relations will significantly result in lowering the reputational risk. For instance, the findings of Divo et al. (2012) state that social media enable targeted marketing responses at individual touch points. Social media, as an interaction medium is used to communicate with customers. Marketers can actively use social media for:

- Monitoring Social Channels;
- Responding to Consumer Comments;
- Amplyfining positive voices;
- Leading Consumer Behaviour Sentiment (Divol, Edelman & Sarrazin, 2012).

2.1.2 Key Characteristics of Reputation Threats Caused by Social Media

The current chapter will explore and describe the Five Factor Model developed by Pfeffer, Zorbach, & Carley (2014). The authors tried to build a model displaying factors or characteristics explaining the spread of social media content and ultimately affecting reputation threats. By using past literature on the aspects of social media dynamics concerning online firestorms they propose 5 factors, which play an important role.

- Speed and volume of communication

- Binary choices
- Network clusters
- Unstrained information flow
- Lack of diversity.

These factors will be explained more in detail. The previous example illustrate that the Speed and volume of communication plays an important role concerning reputation threats. Real-time messages as social media content establish a continuous flow of interaction where the next piece of information represents the prior one (Pfeffer et al., 2014). Information, which is highly attractive to share, could reach an enormous number of users within minutes. This phenomenon is also known as self-mass-communication (Aula, 2010). This issue is also reinforced by Pfeffer et al. (2014) stating "*Although the communication/reaction cycle of traditional newspaper is a day, in social media, the affected companies and institutions need to react in hours or minutes"* (p. 120). All social media platforms have high turnover rates but twitter is the topper with enjoying a rank as the fastest online platform (Pfeffer et al., 2014). Many users prefer fast communication, and Twitter supports the activity by enabling users to communicate with short and quick tweets. Twitter plays a crucial role in spreading negative information. Literature undermines this statement, by arguing that Twitter was involved in almost every recent case of negative online interaction (Pfeffer et al., 2014).

Binary choices as the next factor are highly influenced by the first factor speed of communication. Social media platforms have specific restrictions related to the numbers of characters. The participant might like to send a message with more characters, but the length of a certain message is pre-determined and restricted by technical requirements. For instance, tweets, are restricted by 140 characters, this is also related to the fact that Twitter is a micro blogging platform with limits is messages (Pfeffer et al., 2014). Additionally, the decision to share or pass the information relies heavily on the users themselves (e.g. share or re-tweet). According to Pfeffer et al., (2014) it is an "either or situation". If users are reluctant to share or re-tweet information it is known as an absence of discursive interaction. For reputational management it plays a crucial role, since there is the luck by chance that negative information is not actively shared among users. This might also be related how far the information is attractive for users. In the case example, more than 15.000.000 users watched the video of United Breaks Guitar on YouTube (YouTube, 2009), which indicates a highly relevant topic for participants on social media.

The third factor, Network clusters, are seen as "*interpersonal communication networks with significant local clustering*" (Pfeffer et al., p.122). Similarly, clustering could be defined as "*a group of similar things or people positioned or occurring closely together*" (dictionary.com). On social media platforms the clustering effect is also visible, for example in smaller cities with only a few inhabitants, the chance is relatively high that they are also connected towards media applications. Attractive information is shared among the members of the network clusters, producing the impression that all members have the same topic of interest (Pfeffer et al., 2014). Academic literature provides evidence that clusters seem to play a fundamental role in epidemic spreading of information on media platforms (Pfeffer et al., 2014). Managers who are responsible for reputation management need to be aware that cluster members might share the same beliefs or opinions about certain topics. Pfeffer et al. (2014) argues, "*Clustering in social media networks amplifies epidemic spreading*" (p.121). Network clusters with a large number of members could create and share even faster negative information on organizations activities, which increases the risk of reputational threat.

Subsequently the fourth factor discuses unrestrained information flow. So far the current thesis didn't discuss the offline communication, but users of social media are also engaged in sharing offline content. A significant difference is that in online interaction every connection receives the same amount of attention, on the contrary, offline interaction is restricted by the limited number of participants, connected on a regular basis (Pfeffer et al., 2014). Next to this the low threshold of sending, receiving, sharing and modifying information enables an unrestrained flow of information. The condition of strong or weak ties, between participants is important to consider. Users of social media could have thousands of connections including friends, relatives and followers. Based on their importance the ties could be weak or strong. For example, users may build strong ties with classmates, resulting in an increased interaction. The condition of ties, either strong or weak, determines the level of interaction between social media users. Relating the factor of unrestrained information flow on reputation management, it becomes obvious that without a non-existent threshold, negative information is freely shared between users. Organizations need to be aware of unverified flow of information, shared by users, which certainly influences reputational risk.

Lack of diversity is the final factor covered by the five-factor model. This phase especially deals with the filter bubble introduced initially by Pariser (2011). The concept describes the way how user of digital media overemphasize the significance of certain topics or opinions (Pariser, 2011; Pfeffer et al., 2014). The filter bubble concentrates around two measures. Firstly, *"social connections act as a filter since connections tend to be based on homophily"*, to put it other words users of social media tend to be connected with other users who share similar characteristics, such as "*age, gender and socioeconomic status"*, to realize similar "*interests, topics and opinions"* (Pfeffer et al., 2014, p. 122). Secondly, a message or tweet tends to be attractive for a user if his friends or relatives also were attracted by the information and rated them accordingly in the past. However, the available information for a single user is not only limited but also largely biased (Pfeffer et al., 2014). Information bias could negatively influence the user's perception on corporate activities. This aspect creates a barrier for reputation management, since organisations cannot control the information in advance.

The five-factor model explored and described the key characteristics of social media and how it affects reputational threats. There are also other reputational threats, which are not covered by the model, such as External and Internal threats. External threats are mostly generated by outsiders (e.g. customers, journalist and third parties) who search, find and share information with others. Obviously this has always been the case, but again due to the easy way of sharing information, the risk of reputation threats has increased. Most threats are of external nature, because interns usually do not want to damage the company's reputation. However, it also happens that internals harm the reputation. Some firms encourage their employees to use actively social networks and blogs, to create desirable content on recent campaigns or offers. But they also need to face the consequences if interns share negative thoughts and beliefs on firm performance. Finally, the key characteristics can occur on social as well as on traditional media. Yet again the barriers on social media for users to share information is much lower than on conventional media. Another point that increases the amount of accusations or reputation threats online is the anonymity of the Internet (Kim & Jeong 2012). There are different ways for organizations showing how to deal with reputational threats. The following chapter tries to outline this consideration.

2.2 How to Mitigate the Risk of Reputational Threats

In the business world, reputation management relates to the process of influencing or controlling the reputation of an organization (Riel & Fombrun, 2007). In dealing with reputational threats management are obliged to employ the right tools as well as the right methods. The expected results are aimed to generate stability within the organization.

The first process refers to *justification* where a business is required to take effective actions whenever the business faces negative media attention. According to Griffin (2014), organizations may experience negative publicity that occur on complain websites, individual forums as well as comment sections among others. Under such circumstances, the experts in the marketing department reach an agreement that reputation management is justifiable through employing proactive measures of published news containing positive information related to the organization (Lau et al. 2010).

The next issue that *warrants reputation management* relates to excuse where a business organization is implicated on a negative issue on the public domain that tarnishes its image. Since such negative information may find its way to a significant number of people, marketing experts may decide on using an excuse for certain business actions (Griffin, 2014). The excuse is for the purpose of shifting the blame away to provide the audience with the basis behind actions or avoidance. The excuse given may focus on measures that will explain the reasons behind engaging in a particular action or failure to adhere to an issue and the excuse is normally based on –appeal as opposed to the truth (Anthonissen, 2008).

Denial as reputation management concept relates to a situation where organization experts sets the right communication message to fully deny allegations that possess the capability of tarnishing the image of the business (Aula, 2010).

Another method that marketing experts utilize, refers to a *corrective action* where the business takes effective measures to correct their action in order to restrict short-run or long-run repercussions for the business operations. To ensure that the message reaches the public, various forms of mass media platforms are used that may comprise of published or oral communication (Kamvar et al., 2003). Again, since at some instances the business may produce mistakes that harm the environment and the communities they operate in. Organizations need to develop effective reviews and research activities in order to produce the right message for a meaningful apology. Under such circumstances, the organization is fully responsible for the actions or failure that hurts or possesses the capability of hurting those it touches while conducting its operations. Presenting an apology requires full consideration of the repercussions and possible reaction from the community (Helm et al., 2011). There is a tendency among the public to perceive organizations that accept their mistakes and apologize on the same as honest, and that supports the creation of customer loyalty.

The last method refers to *integration* where a business organization integrates other playmakers in the same or a different industry to maintain a good reputation. Integration serves in widening public perception and focus on the business with the main aim being to divert attention from what might have gone wrong at one point during business operations. Helm et al. (2011) perceives integration as an effective measure to deviate any threats an organization faces as it holds the possibility of integrating other organizations that possess good reputation within the eyes of the public.

2.3 How to Mitigate Reputational Threats Related to Social Media

Social media in general are not just a powerful tool for users, but also for organisations when it comes to reputation management. For reputation threats that occur on Social Media it is most likely to be the most powerful tool to deal with the online content. It is particularly important to identify social media threats at an early stage (Gaines-Ross, 2010) since the information flow within social networks can reach an enormous pace and in some cases early recognition of a serious reputation threat might restrict a lot of harm, assumed that right actions would have been taken after the recognition. In many companies the access to social media is blocked by the IT to ensure the workforce concentrates on their tasks instead of connecting with friends (Kaplan & Haenlein, 2010).

To identify social media threats and to manage social media marketing, you need people to manage these tasks. One opportunity is outsourcing the tasks to a third party who takes care of your social media management, but in many cases it is better to choose someone who is already familiar with the institution (Bottles & Sherlock, 2011). The approach by Kaplan and Haenlein (2010) suggests the development of an internal team to deal with social media marketing. This has the advantage to train staff on how to identify and react to different kind of customer reactions, by either just monitoring or interacting with users. As previously mentioned there are several social networks. Many forums like micro blogs don´t offer the company a platform but are purely built on customer-generated content. For those platforms and as support for trained staff, many companies use monitoring tools, which are usually software services that primarily analyse the content of social media. Based on pre-defined key words specific monitoring tools scan the RSS feed of social media and provide a profound data analysis (Laine & Frühwirth, 2010). This can especially be helpful for early identification, if content is not posted to the company's sight directly but in other subgroups.

Coombs (2008) recognized the importance of online monitoring due to the pace compared to offline threats. Once a crisis or a threat occurs, monitoring tools also help to measure the crisis.

Coombs (1998) developed several possible courses of action that can be taken in traditional reputation management and which can also be applied to reputation management related to social media applications. Whenever a company sees its reputation in danger by a statement or any content the company has the choice to:

- Attack accuser
- Denial
- Excuse
- Justification
- Integration
- Corrective action
- Full Apology

Before the right course of action can be taken, the crisis situation needs to be analysed and examined in order to execute effective crisis responses.

2.4 Effective Management of Reputational Risk Caused by Social Media

The gathered literature shows a strong need for an integrated approach and that neither social nor conventional media can be treated separately. Customers can react to a company message no matter how it is communicated to them by means of social media. The interactive applications increase the speed of communication and therewith also the speed on which a potential reputation threat can spread. Appendix 4 shows how managers can try to influence their corporate reputation with the support of social media as well as conventional media. The arrows symbolize that the communication is one sided for conventional media and two sided for social media as it is also shown in Appendix 2. Users or customers that make bad accusation that eventually become a reputation threat. It is important to note that social media and conventional media are interlinked and that an accusation or reputation threat can start either on social media and end up to be broadcasted on television or the newspaper at the next day. Social media make it very easy to share ones opinion and therefore also to create accusations. It is important to understand that social media and conventional media are interlinked and both can have a negative as well as positive effect on the company's corporate reputation. Customers can share positive as well as negative experience, but for the purpose of illustrating it as a figure they are displayed in a way that they are responsible for the accusations.

Besides the pace, social media also provide sophisticated communication and especially interaction between large numbers of users becomes relatively easy (Tucker & Melewar, 2005). Therewith there is a higher chance that content of dissatisfied customers is shared based on their experience among huge groups, because there are almost no thresholds. Web 2.0 influences consumer behaviour, because people share their personal and very trustworthy experience (Constantinides & Fountain, 2008) so it is arguably that social media have a stronger influence on public relations than mass media. The information flow in both directions is so high (Tucker & Melewar, 2005), that users are not always aware of reputation influence and that they might harm the reputation not on purpose. Kim & Jeong (2012) found that the speed of communication, in both direction, allow customer to spread accusations on an enormous level, but at the same time social media can help to spread the apology or companies reaction. Hanna, Rohm & Crittenden (2011) mention that the medium also has an impact on how the message is received.

Although social media do not require a change in terms of business practice on how to react to reputation threats, Web 2.0 does change today's business world. The essential methods of reputation management with respect on how to react to reputation threats and customer accusations are the same. Thus social media did not change the practice. The only exception might be the IT tools that monitor social media in order to identify a crisis. It has become more important than ever to react fast to avoid reputation threats and once occurred, businesses must prevent them from doing more harm to the corporate reputation. All digital media applications are interlinked and cannot be treated separately. Social media essentially have a huge impact on reputation management today. Companies need to have a cohesive reputation management strategy and be aware that communication no matter on what media can always be transferred to other media channels. Social media did not change the practises itself. However its strong impact in terms of pace and customer empowerment creates the fundamental need for organizations to use it as primary tool to manage their reputation.

2.4.1 Different forms of Managing Social Media Risk

Aula (2010) proposed four different strategies to manage the reputational risk caused by social media application. The first, Strategy of absence focuses especially on organizations that do not proactively participate in communications and content creation on social applications related to firm operations or activities. Generally managers recognize the importance of attending interactions with customers, but their strategic direction is to avoid it, because they essentially lack knowledge on effectively managing a social media crisis. Notably, there is no interaction between organizations and their stakeholders, undermined by the fact that the communication flow knows only one direction – organization to stakeholders (Aula, 2010).

The Strategy of presence, foster organizations to participate in communications with its stakeholders. But the type of communication is related to the exploitation of conventional public relations, where organizations use certain mediums, such as newspapers to inform their stakeholders on specific activities. The previous chapters already revealed that conventional media are characterized by one-way communication, where stakeholders are able to receive and read content but other stakeholders are not able to participate. This is also reinforced by Aula (2010) stating that, "*The mode of reputational communication is more monolog than dialog*" (p.48). The avoidance of organizations to share and interact on social platforms might share similar reasons with (1) Strategy of absence, basically related to the lack of know-how to deal effectively with social media crisis situations. Even if managers desire to communicate with their customers it is still restricted by the use of conventional media.

The third direction is (3) Strategy of Attendance, where organizations participate actively in social media communication as a listener and collector of specific information, which is related to firm specific activities or important to consider within the operating industry. While attending communication on social platforms, reputation managers gather detailed information on customer perception, which could be used to improve products or services. There is no restriction, with the support of social media, managers could engage not only with customers, but also with employees and investors (Dutta, 2010). For instance, employees might reveal their satisfaction or frustration through social application. Firms could make use of this information to improve strategies related to human resource management. Attending on a regular basis social communication will increase the ability to obtain information on potential investors. As an example, the CFO of Oracle Jepp Einstein and Ger Hartnett the founder of the software company Goshido used social network applications to forward 700 messages to potential investors, generating a fund of 230.000$ in eight days (Dutta, 2010). Generally, organizations reputation management is based on attending, but its interest on the continuous interaction between stakeholders is extremely valued (Aula, 2010).

Finally, the (4) Strategy of Omnipresence comprises the highest level of interaction and is defined as being everywhere at the same time (dictionary.com). Transferring this aspect on reputation management, reputational executives are closely linked to customers on social platforms. Firms seek to utilize the low level of threshold between reputation managers and stakeholders to participate actively in creating, sharing and modifying content, in order to generate an understanding on – customer, employee, and investor perception. The major difference between the other stages is that the strategy of omnipresence focuses more on "*multilogging*", instead setting the focus solely on "dialoging" (Aula, 2010). The interaction on social platforms with users is "*complex, overlapping, and continuous"*(Aula, 2010, p. 48). This is majorly related to the fact that there are no boundaries between reputation managers and stakeholders resulting in no clear rules or guidelines of sharing content, it could be characterized as messy. Reputation risks could occur everywhere on social networks, therefore firms need to be equipped with choosing an omnipresent strategy. With the support of social media, organizations have the chance to share content in real time with direct contact to end-consumer at significant lower cost and higher efficiency in comparison to conventional media channels (Kaplan & Haenlein 2010). While large multinational corporations have the financial capabilities to use broadcast channels (e.g. TV commercials) to promote their products or services, social media allow small and medium sized firms to attract new customers through social platforms. But, being social has several implications and challenges for organizations, and taking it one step further, managing the risk of being social is paramount for organizations when dealing with stakeholders, which are extremely powerful based on their interconnectedness through social platforms. Melissa Agnes (2013) a famous international crisis management keynote speaker and consultant developed five rules on how to manage reputational risk caused by users of social platforms.

2.4.2 Managing Social Media Risk: The Five Rules of Crisis Communication

According to Agnes (2013) it is common knowledge that participants of social media and how they communicate through the Internet changed totally the rule of game related to crisis management. Reputational executives need to understand the functioning of interaction between stakeholders, whereas it could be both for organizations– blessing or a curse. The worst scenario organizations might face, is that users rapidly spread bad publicity over social networks. Effective reputation management covers also the aspect to face such scenarios. Therefore Agnes (2013) introduced 5 key rules in supporting organization if reputation is at risk.

The first rule is that communication on social media is a 2-way street, participating firms need to accept it whether they want them to exist or not. Exploiting social media applications is not an easy task, but if firms understand the potential of 2-way communication, the gains are likely to outweigh the effort and costs. This is especially true, during a social media crisis, where organizations have the opportunity to directly interact with end-users to express and clarify their position. On the contrary the feedback received from the end-users will help organizations to reconsider their actions.

The second rule is Real-Time defining that stakeholders expect organizations to provide statements immediately after the appearance of a social media crisis. If this is not the case stakeholders will definitely start to question the wrong handling of public relations. Like already stated, firms are not restricted by specific boundaries to share content. Dutta (2010) has a similar opinion by stating "*It´s no secret that social media-global, open, transparent, non-hierachical, interactive, and real time-are changing consumer behaviour and workplace expectations"* (Dutta, 2010, p.2). If the requirements are given and organizations still don't respond to bad publicity they put their company at reputational risk. Early responses on pre-defined actions are very important to mitigate the spread of negative content. Executives should try to respond as fast as possible.

The next rule, to listen, that comprises key activities on developing certain knowledge on customer perception. Nobody is eager in engaging with a company who provide unattractive content. To increase customer participation, organizations need to provide good reasons or incentives, targeting the essential needs of their audience. Executives should expand their spectrum of stating only marginal activities, such as "we are the best in garment production" or "we apply high safety and quality standards". Thus, they must avoid being to overconfident on their business practices. Certain firms have developed a tendency to be egocentric by producing only content, related to their products, services, activities, standards and financials (Pascale, 2014). On the contrary, customer demand prevailing information aligned with their expectations (Kaplan & Haenlein, 2010). In order to produce meaningful content organizations have to be good listeners to their customers. The first instance is to gather detailed information on what customers need and like to hear, questions may cover the following "*What they would like to talk about; what they might find interesting, enjoyable, and valuable"* (Kaplan & Haenlein, 2010, p. 66). After completion, the information could be used to create and publish content that address customer needs. The information revealed by the executives must contain a certain value proposition to target customers. The value may be expressed by "*education, increased productivity, entertainment, or cost savings"*, which should result in *"long-term awareness and brand recall"* (Pascale, 2014).

If these aspects are taken into account during a reputational crisis, managers could limit their social media exposure. Listening to the needs of the target audience will support the collection of fundamental information on age, gender, habits, beliefs, and characteristics of users. This information might serve as a trump card in dealing with similar or same demographic audience involved in a social firestorm. Organizations, if they have the capabilities, should build audience personas, where characteristics are listed, for example: *interests, needs, mindsets, and behaviors* (Pascale, 2014). One of the primary objectives of reputational managers is to understand their target audience on social applications to effectively manage threats. For instance, it is relatively easy for organizations to provide details on the number of Facebook followers, but depending on the reputation strategy managers should also use monitoring tools, such as, Google Alerts, TweetDeck, and Radian6, in order to analyze if engagement and learning curves are effectively met (Dutta, 2010).

The following rule especially deals with adaptability, considering the level of flexibility to transfer the crisis communication on various social platforms. Developing and posting content doesn't simultaneously mean that users will actively participate in consuming it. The first step is that firm's need to produce genuine and quality content, which is basically dependent on internal resources (e.g. expertise of managers). Next, executives should seek to attract users by drawing attention on their content. Sharing it on the big social networks is not enough they need to look beyond Facebook and Twitter to attract as much users as possible (Pascale, 2014). Previously, the author already stated that an understanding of key characteristics of the audience is crucial to manage reputational risk. Here, the primary importance is to focus on "Where" the target audience tends to interact. To be more precise, managers need to ask the following: Which other social platforms does the target audience, except Facebook and Twitter, use? If the audience uses other platforms does it make sense to post the content also through these channels? Does it lead to value maximization if content is published through other channels? Wisely, when reputational managers could answer the entire questions with “Yes” they should definitely publish the messages also on other channels.

Rule number five concerns effective management of humans and internal communication as a major source to mitigate the risk exposure caused by social media. Businesses are certainly dealing with human beings, externally in form of customers, internally in form of employees. Latter, the management of internal resources is paramount for successful crisis management (Agnes, 2013). During a social media crisis reputational managers need to pay a high attention on internal communication with their staff members. Implementing training and workshops for employees, is seen as a good starting point, to develop a general awareness of the firms attitude and conduct during a reputational crisis. Employees need to be involved in all phases of crisis management – occurrence, strategy development, reaction, monitoring – whereas the duty of reputational managers is to inform not only customers and stakeholders, but also employees on the current situation. In this case tools may support the communication process such as, email, blogs, and text messages. Moreover firms that have the financial capability should implement internal networks to manage the flow of communication (e.g. Enterprise Social Network: Jammer, Brandwatch and Social Cast).

Other sophisticated networks also offer great additional functions, for example, the feature of Internal Alert, is especially useful when specific social media application have suddenly a tremendous amount of online visitors. The feature Internal Alert analyzes the content of social media data and alerts the firm in real-time when it observe unusual or unexpected changes. This could be both a negative or positive sign. On the one hand this could reflect a significant success of the new campaign announcement, or on the other hand, it may provide an early indication of an upcoming social crisis. Noteworthy in this context is what the authors Kaplan & Haenlein (2010) state: *“Although this might sound elementary, once the firm has decided to utilize Social Media applications, it is worth checking that all employees may actually access them”*(p.66). The mentioned tools are only useful as primary support if the access for all employees is ensured without any restrictions.

3. CONCLUSION
THE SOCIAL MEDIA CRISIS MATRIX

Resources are the backbone of a business enabling organisations to survive, be competitive, and build the foundation for continuous success. Reputation, in fact is a key resource to verify how effectively the activities of a firm generate a certain value proposition for stakeholders. Corporate reputation could be seen as core indicator for good public relations, which is nowadays highly affected by social media content. The authors’ major aim for the current thesis was to answer the following research questions:

“*How could corporate organizations mitigate the exposure of reputational risk related to social media applications?”*

“*What are essential tools corporate organizations could use to manage the negative impact related to social media content effectively?”*

The profound answer to the first research question is that companies participating on social media application need to focus especially on the process of interaction with their stakeholders. During a crisis situation, where negative issues (e.g. Information, Images, and Videos) are heavily spread among social applications, managers need to react as fast as possible to limit the damage on reputation. It doesn't matter if this is related to answering negative comments on social platforms or publishing messages on corporate websites. The general principle is that crisis communication is explicitly about “multilogging” and speed. Reaction have to be in real-time and content must be adapted to various platforms to reach as many users as possible. One of the major features of social media is self mass-communication. Firms are able to reach millions of stakeholders per mouse click, which essentially supports their need to react fast in crisis situations.

The Social Media Matrix (Figure 1) provides a tool that could help corporate organizations to manage the negative impact related to social media content more effectively. The model is derived by a combination of preceding literature and information from various examples. It helps to identify a strategic orientation based on internal and external factors. .

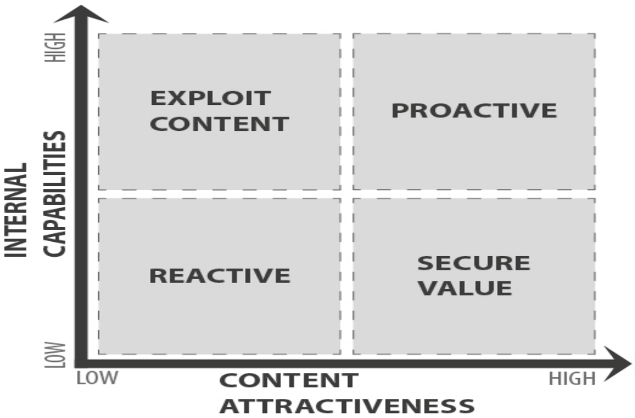

Figure 1: Authors Model - The Social Media Crisis Matrix

Internal capabilities refer to the degree to which an organization is able to exploit their employee’s skills in terms of experience and know-how to prevent crisis communication. To manage the negative content of social media effectively, organizations need to be aware of their *internal capabilities*. Corporations with a high degree of internal capabilities make prevalent use of internal auditors with high level of expertise to assure that social media platforms are perfectly understood and their risks are monitored accordingly. Moreover, firms who are fully aware of reputational risk caused by social media content will integrate it as top-level function, where supervision and delegation goes hand in hand with strategic orientation.

Another crucial denominator, which describes the insensitivity of content spreading among social platforms, is referred to as *content attractiveness, which* describes the user’s perception on what information is interesting to share among others. For instance, the VW emission scandal will obviously have a higher content attractiveness than the new launch of Audi`s latest SUV model – Q7. Mostly bad news will have a higher attractiveness among users than good news, which certainly affects the degree of content spreading. Similarly, the number of stakeholders and the size (e.g. Employees) of the corporation will influence users in their decision to spread content. Multinational Corporations such as VW, United Airlines and Taco Bell face, naturally, a higher reputational risk exposure related to social media content than smaller firms with a limited number of stakeholders.

Reactive: This quadrant is characterized by low internal capabilities and low content attractiveness. Organizations do not actively interact with users and reputational managers only take action if it is required. Firms do not fallow or even have a predetermined guideline on how to react in crisis situation. Based on their cognitive ability and experience, managers will react to the content of social media. Therefore, during a social media crisis the task of managers is to react only. The "strategy of absence" tend to share large similarities related to management behaviour.

Secure Value: This quadrant comprises low level of internal capabilities and a high level of content attractiveness. In crisis situation the primary aim of reputational managers is to hold a substantial crisis plan. This is majorly related to the fact that within this quadrant the firm faces a high degree of risk related to social media content. While having a lack of internal capabilities to turn away bad crisis situation, the firm is also increasingly exposed to attractive content. Even than managers are required to provide value for their customers, by replying in real-time and with accurate information based on their expectation. Building organization personas is one way to develop an understanding of the target audience. Simultaneously, this information must be utilized in a social media crisis to minimize the reputational risk.

Exploit Value: Reveals a combination of high internal capabilities and low content attractiveness. Businesses assigned to this quadrant, have a favourable position, than there internal capabilities allow them to exploit the value of user content. Internal auditors with significant expertise support lower level employees in their decision-making process to guide them through a reputational crisis. Aula (2013) argues, "*Reputation risk often originates from uncontrollable external factors, but corporation's own controllable actions play an important role as well"*(p.46). The capabilities and experience of managers to exploit value will help to turn a social media firestorm into an opportunity to get a deeper understanding of customer perception. Exploiting not only the information published by users, but also using the feedback based on the interaction tend to provide additional benefits, such as early identification of risk potential.

Proactive: Firms located in this quadrant have strong internal capabilities and a high content attractiveness. Managers need to be proactive in dealing with social media crisis. Implying that they need to be prepared even before the crisis and not after it broke out. Predefined social media policies are developed and implemented, describing how employees need to react in crisis situation. The reputation managers of Volkswagen did a great job, when they prevented effectively a social media disaster by admitting and apologizing publicly for the manipulation of their installed emission software. Ultimately, proactive firms focus largely on three factors to mitigate the risk of a reputational threat - transparency, accountability and honesty.

The Social Media Matrix serves as an orientation for businesses to identify their strategic direction to mitigate reputational risk related to social media content. By using the theoretical foundation of the model, organizations have the opportunity of self-assessing their own capabilities, resulting in improvements or modifications on internal processes. With the support of the model organization should ensure that internal capabilities and external conditions are aligned to guarantee effective reputation management.

4. EMPERICAL RELEVANCE AND FUTURE RESEARCH

The current thesis also comprises certain limitations, mostly because the lack of empirical proof. Past literature on the topic of social media was analysed to determine factors that have an affect on social media reputation management. Furthermore the prevailing factors internal capabilities and content attractiveness were similarly retrieved from different scholars and have not been empirically tested. The data collection method solely focused on literature and the validity of models and theories has not been further examined in processing the current thesis.

Future researchers could investigate, if the "Social Media Matrix" has an empirical relevance, by focusing on both, multinational corporations and small-medium sized enterprises. Surveys and interviews might be used to gather detailed information on firm's internal capabilities, such as experience of employees, existence of internal auditors, or integration of reputation management based on social content. There might be significant differences between the factors internal capabilities and content attractiveness. Researchers could evaluate whether the size of the company has an influence on these factors. Researchers could analyse if there are additional sources for managers to mitigate the risk of social media.

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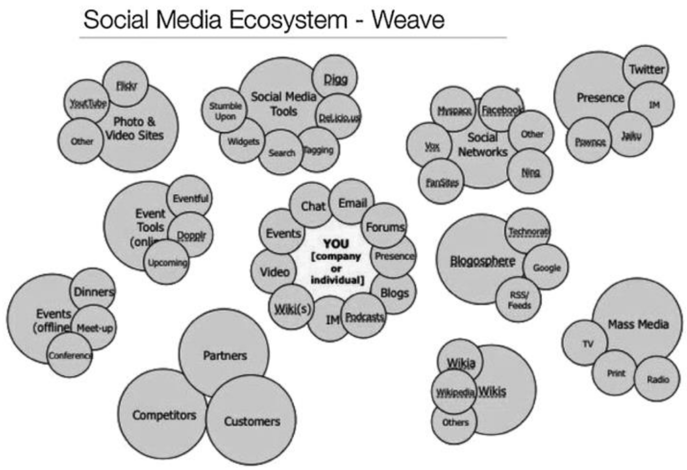
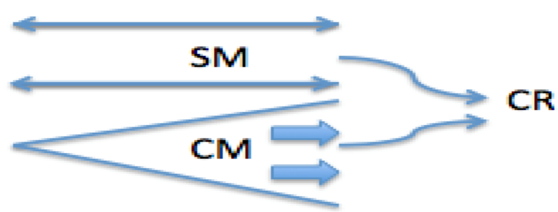
Appendix:

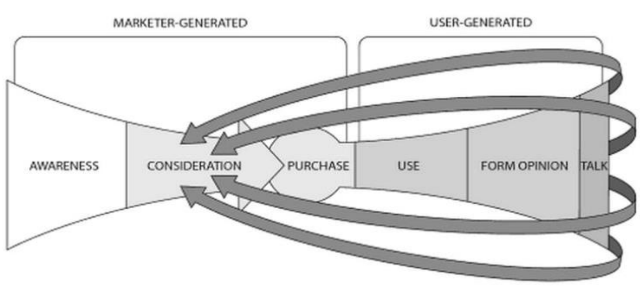
Appendix 1: Schulz (2007): The Social Media Ecosystem



Appendix 2: Key characteristics of Social media vs. Conventional media and the effect on Corporate Reputation.



Appendix 3: The Social Feedback Cycle (Burby, Atchison & Sterne, 2007)



Appendix 4: The Interaction between Reputation Threat, Conventional Media and Social Media