

Managing Corporate Reputation in the Blogosphere: The Case of Dell Computer

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ABSTRACT

The emergence of the blogosphere has created new challenges for large companies in the management of their corporate reputations, since grass roots blogs can generate negative perceptions about a firm and then spread them rapidly and widely. The blogosphere has also created new opportunities for firms to enhance their reputations, because the informal and personal communication that occurs on blogs may generate significant positive 'Internet word of mouth'. This paper examines the interaction between the blogosphere and a leading technology company, Dell Computer, over a critical two-year period. Our approach combines two novel techniques: automated mining of blog entries, enabled by parsing software, which generates semantic analysis and network maps of the relevant blog entries; and netnography, a method derived from ethnography for analyzing Internet-based discussions. This study shows that many established reputation management approaches, which were developed during the era of mass media, need to be reshaped to meet new realities in the age of Web 2.0.

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INTRODUCTION

A positive corporate reputation is correlated with a range of desirable business outcomes, including customer satisfaction, loyalty, trust and positive word of mouth (Walsh and Beatty, 2007). As a result, companies expend substantial time and energy managing their reputations.

But corporate reputation is highly vulnerable to damage due to incidents that cast a firm or its product in an unflattering light. Examples include the explosion of the Union Carbide plant in Bhopal (Zyglidopoulos and Phillips, 1999), the grounding of the Exxon Valdez (McLane *et al.*, 1999) and external tampering that resulted in the poisoning of bottles of Johnson and Johnson's Tylenol (Greysen, 1992). In the aftermath of such events, firms have traditionally relied on public relations techniques to get their message heard in the cacophony of media reports that arise (Argenti and Druckenmiller, 2004).



Over the past decade, the emergence of a cluster of Internet-enabled capabilities, known informally as Web 2.0 technologies, has allowed for the global dissemination of new forms of user generated content, such as Web forums, blogs, wikis and videos posted on platforms like YouTube (Benkler, 2006). The same period has seen the emergence of new ways for people to connect with one another over the Internet, through social networking applications like Facebook and LinkedIn. These new technologies pose threats, and new opportunities, to firms in the management of their corporate reputations.

For example, Kryptonite, a maker of bike locks, faced a crisis in 2004, when posts and a video uploaded on a prominent cyclists' Web forum showed that the company's products could be opened with a Bic pen. The post was picked up by other forums and by blogs, and within several days, damaging stories began to appear in the mainstream media (Polgren, 2004). In 2006, a customer posted a video on YouTube that showed a service technician, sent by the cable television provider Comcast, sleeping on the job. The video received more than 1 million downloads, and after several bloggers wrote about the incident and included links to the video, the footage was broadcast on news programs aired by MSNBC and ABC (Belson, 2006).

Blogs (a term that is short for Web logs) are 'frequently modified Web pages in which dated entries are listed in reverse chronological sequence' (Herring *et al.*, 2004). They are an especially important part of the Web 2.0 landscape for executives charged with managing the reputation of their firms.

When considering blogs and their potential impact on corporate reputation, it is worth distinguishing between two types. The first are independent blogs, which are generated by private individuals or groups of people who wish to express their opinion on topics of interest to them. Some such

blogs have become quite popular, receiving millions of hits per day, but they remain independent of affiliation with other organizations. Blogs of the second type are those sponsored by existing institutions, including corporations. Corporate blogs come in two flavors. Internal corporate blogs seek to increase social connections and encourage the sharing of knowledge among company employees (Jackson *et al.*, 2007). External corporate blogs seek to provide information about the company to stakeholders and obtain information from those stakeholders. External blogs are frequently used to help companies learn more about their customers' preferences (Sawhney *et al.*, 2005).

The networked structure of the blogosphere, and its linkages to mainstream media outlets, can make blogs an especially potent threat to a firm's reputation. Blogs use Web links in great profusion. The blogs that address a particular topic tend to be heavily interlinked, and over time, an emergent structure develops, with the most popular blogs linking to interesting posts that appear in less prominent blogs. Users tend to gain access to the overall network of interlinked blogs – often called the blogosphere – through their favorite entry points. From there, users are able to navigate, by clicking on links, to material they find interesting (Benkler, 2006). With this structure in place, damaging news about a firm is able to spread from an obscure blogger to a prominent one nearly instantly, and migrate from there to the mainstream media.

But several characteristics of blogs mean that they also present potential opportunities for firms seeking to enhance their reputations. Contributors to blogs tend to communicate more informally and personally than mainstream media outlets do. The opinions of bloggers who lack affiliations with other institutions are perceived to be honest and forthcoming, and thus more trustworthy, than messages transmitted through traditional media (Roed, 2003).

Positive comments about a company on blogs can thus serve as a kind of 'Internet word of mouth' that is far more powerful than advertising or other large-scale promotional activities (Phelps *et al.*, 2004).

The experience of Dell Computer illustrates both the potential threat to corporate reputation that blogs can pose and the ways that blogs can enhance reputation. This paper examines Dell's experience with a reputation crisis that began in the blogosphere and tracks the company's response, including the launch of its own corporate blog. In particular, it aims to respond to the following questions:

'How can blogs affect corporate reputation and the customer relationship strategy of firms?'

'Can a corporate blog help to reconstruct a damaged reputation?'

STUDY METHODOLOGY

The study involved the development of a qualitative case study (Yin, 1994) that followed a reputation crisis faced by Dell Computer. The crisis broke out in June 2004, and the researchers tracked the company's response over the subsequent two years. Dell was chosen because of its widely acknowledged position as an early adopter and leader in the use of Internet technologies.

The events surrounding the reputation crisis and Dell's response were reconstructed from blog posts and press reports generated while the events were unfolding, as well as retrospective summaries of these events (Market Sentinel, Onalytica & Immediate Future, 2005; Market Sentinel, 2007). The study also made use of several novel methods for studying Web 2.0 practices.

The first novel method employed in the study was use of Condor, a software tool that can collect data from various electronic sources, such as email boxes or blogs, and undertake analysis of the semantic content

of conversations and the social network structure of the people communicating (Gloor and Zhao, 2004). Condor is a tool used to analyze social networks automatically based on communication logs. It enables the creation of visual maps and movies of evolving networks, and it also automatically calculates many of the standard metrics used in social network analysis (Gloor and Cooper, 2007; Gloor, 2006). Taking inputs from web-based communication tools, such as email archives of a work group or inter-linked blogs on a particular topic, Condor parses these electronic records and gathers key information about the connections that occur between two members of the network; for example, an email message between two colleagues in a firm or a link from one blogger to another. Condor collects and stores data on (a) the member of the network who initiates the connection, (b) the member who is the recipient, (c) data and time, and (d) selected content from the communication, such as the body of an email message or blog post. It then uses this stored data to visualize and analyze the resulting network in manifold interactive maps.

In this study, the Condor tool relied on Google's blog search functionality to collect blog posts that commented on Dell during the two years following the outbreak of the company's reputation crisis. Condor was used to track the quantity of positive vs negative comments about Dell during the two years after the outbreak of the reputation crisis. Condor was also used to analyze the network structure of the blog posts that ran about one of Dell's subsequent initiatives. This was done in order to locate the position of Dell's corporate blogs within the larger network of blogs commenting on the company.

The second of these new methods was netnography, a qualitative research approach that adapts the techniques of ethnography to the study of communities that coalesce around Internet-based applications like



Web forums and blogs (Kozinets, 2002). The netnographic analysis for this study was undertaken using materials from Dell's external blog, Direct2Dell. The netnography used as its starting point one of Dell's blog posts from May 2007, 'Dell Offers Three Consumer Systems with Ubuntu 7.04', focusing on analysis of the comments to this post by Dell customers over the next five weeks. Use of netnography allowed the study to examine in depth the kind of interaction with customers that Dell was able to encourage on its external corporate blog.

DELL'S REPUTATION CRISIS: 'DELL HELL'

In 1984, Michael Dell, a student at the University of Texas at Austin, founded a computer company that operated out of his dorm room. The firm's business model was direct sale of customized personal computers assembled from stock components. The firm was immediately successful, becoming a member of the Fortune 500 in less than a decade.

In the mid-1990s, Dell began to use the Internet extensively as a sales channel. It became one of the most admired firms of the era, with its Web-enabled practices touted widely in the business press (see, for example, Magretta, 1998). Its make-to-order business model, innovative supply chain practices and exclusive focus on direct sales gave it a significant cost advantage over its competitors. By the late 1990s, Dell was the largest seller of personal computers in the world.

After 2000, competitors emulated Dell's practices and thereby succeeded in matching its costs. With the coming of the dotcom crash, Dell came under pressure to cut its own costs in order to maintain market leadership. In 2001, the company outsourced its product support to India and reduced the number of technicians who provided on-location service to customers. Yet it contin-

ued to sell service plans that promised in-person service to consumers. These actions succeeded in driving down Dell's costs, and the company's profits and stock price rose. Complaints from customers, however, increased dramatically.

In June of 2005, Jeff Jarvis, the creator of a popular technology blog, Buzz Machine, wrote a post describing his bad experience with Dell's customer support. When he bought his Dell machine, Jarvis had signed up for a service plan that guaranteed in-home service. Jarvis experienced problems, and Dell was unable to meet its service obligations. Jarvis wrote about his experience and posted it on his blog on 21 June.

Jarvis began to receive comments and emails from other customers who had experienced similar problems with Dell. Over the next few weeks, he put up additional posts, one of them entitled 'Dell Hell', relating his experience and also posting links to commenters and other bloggers who had similar problems (Jarvis, 2005a, b).

Within days, Jarvis's story was being retold by other prominent technology bloggers. And within a few weeks, it had been picked up by technology and business-oriented media outlets, including *Fast Company* and *Business Week*. From these publications, it spread to mainstream media venues, such as the *New York Times*, *Wall Street Journal* and the *Guardian*.

Dell's initial response was based on a public relations approach geared to the mass media era. When initially asked for a response to Jarvis's posts, a Dell representative stated that the company had a 'look don't touch' policy about blogs (Market Sentinel, Analytica & Immediate Future, 2005). In July, less than a month after Jarvis's initial post, Dell shut down its customer service Web forum.

In the fall of 2005, Dell warned stock analysts that it would not reach its projected quarterly profits. The company issued similar earnings warnings in the spring and

summer of 2006. In the year after Jarvis's initial blog post, Dell's stock fell from more over \$40 per share to less than \$20.

During the summer of 2006, Dell changed course. It announced plans to invest more than \$100m to improve its customer service and to launch an external blog, one2one (subsequently renamed Direct2Dell). One of the first posts on one2one was entitled 'Real People are Here and We're Listening'. This post referred explicitly to Jarvis and several of the technology bloggers who were instrumental in getting the Dell Hell story out (Menchaca, 2006b).

Around the time this blog was launched, Dell experienced a flurry of negative media attention when one of its laptops ignited and burned at a conference in Japan. The company's blog helped it to communicate with customers effectively and manage a rapid and successful product recall. One of the key interventions by Dell was a blog entry entitled 'Flaming Notebook', which explained the reason for the problem – a faulty battery from a supplier – and the steps Dell was taking to address it (Menchaca, 2006a). The author of the post, who was the executive in charge of Dell's blog, fielded internal criticism for this posting, especially since it included a link to a video of the burning laptop. But the response from customers on Dell's blog and in the wider blogosphere was overwhelmingly positive. The existence of a company blog and the use of it to marshal a quick response were central to Dell's effective handling of the first major reputational crisis that occurred after the 'Dell Hell' incident (Li and Bernoff, 2008).

Soon afterward, Dell launched two other customer-oriented websites: Ideastorm, which informed customers about products under development and invited them to submit and vote on ideas for new products and features; and Studio Dell, a platform that allowed customers to submit videos that showed Dell's products in action.

Within a year after the launch of these new initiatives, the company's share price had climbed back to \$30.

FINDINGS

The study's findings cover three primary topics:

- evolution of Dell's reputation in the blogosphere;
- position of Dell's external blog within the overall ecosystem of blogs discussing Dell;
- profile of users attracted to Dell's external blog.

Evolution of Dell's Reputation in the Blogosphere

The evolution of Dell's reputation in the blogosphere was tracked from 1 July, 2005 to 30 June, 2007, the two-year period after Jeff Jarvis's initial posts began to register widely in the blogosphere and mainstream media. Google's blog search was used to find posts that included the terms 'Dell Hell' and 'Thanks Dell'. These terms were selected after analysis of comments on Dell's external blog and posts on independent blogs that discussed Dell. These terms were identified as the ones most commonly used to express negative and positive opinions about Dell. The number of appearances of each term in blog posts was totaled for each quarter over the two-year period (see Figure 1).

Approximately 200 posts containing the term 'Dell Hell' appeared in both of the last two quarters of 2005. Posts with this term then fell below 150 for both of the last two quarters of 2006. Posts with this term then jumped notably and remained high for the last four quarters that were tracked.

Less than 50 posts containing the term 'Thanks Dell' appeared in the first three quarters tracked in the study. The number of posts containing this term then increased

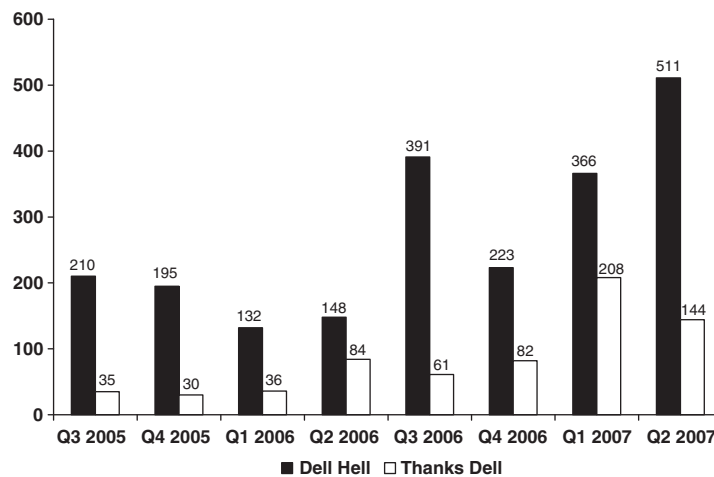


Figure 1: Blog posts containing 'Dell Hell' and 'Thanks Dell', July 2005–June 2007

steadily, averaging more than 75 per quarter over the next three quarters and more than 150 per quarter over the last two quarters tracked.

Although the presence of a term like 'Dell Hell' or 'Thanks Dell' gives a broad indication of the sentiment being expressed by a blog post – negative in the case of 'Dell Hell' and positive in the case of 'Thanks Dell' – posts can use such terms in ways that complicate the interpretation of the signal being sent. For example, a post about improvements in Dell's customer service after mid-2006 could refer to 'Dell Hell' as a way of contrasting a negative past with more positive recent performance. And similarly, the term 'Thanks Dell' could be used in a sarcastic way by a blogger while expressing a negative opinion.

To determine the sentiment expressed by blog posts that used the terms 'Dell Hell' and 'Thanks Dell', content analysis of the posts containing these terms was undertaken for the first and last quarters analyzed in the study (Q3 2005 and Q2 2007). The results are presented in Figure 2.

In the third quarter of 2005, just after the furor broke out over Jarvis's complaint, blog posts containing 'Dell Hell' were overwhelmingly negative; all such posts

were either negative or neutral. And posts containing the term 'Thanks Dell' were almost as likely to be negative as positive, with 30 percent expressing a positive sentiment, and 26 percent expressing a negative one.

By contrast, in the final period analyzed, the second quarter of 2007, blog posts containing the term 'Dell Hell' were less scathing than in the immediate outbreak of the crisis, with 29 percent expressing negative sentiment and 12 percent expressing positive. And posts containing the term 'Thanks Dell' were more reliably positive than in the earlier period, with 35 percent expressing positive sentiment and only 18 percent negative.

This analysis suggests that semantic analysis that relies on word mining alone should be undertaken with caution. And caution may be especially in order when a company is in the midst of a reputational crisis, since people posting on blogs and Web forums may use apparently positive terms in a sarcastic way to express negative sentiments. Analytic tools that combine up front qualitative analysis of posts with subsequent word mining may be more effective than simple semantic analysis alone (Krauss *et al.*, 2008).

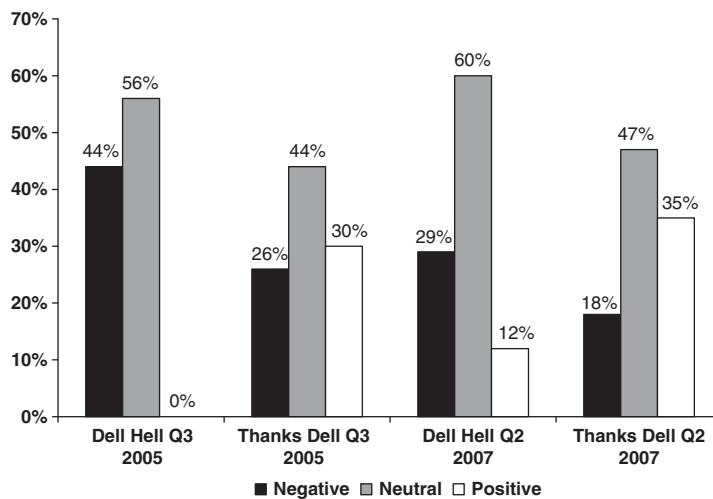


Figure 2: Negative vs neutral vs positive sentiment of blog posts containing ‘Dell Hell’ and ‘Thanks Dell’, Q3 2005 vs Q2 2007

Position of Dell’s External Blog in the Larger Blogosphere

One of Dell’s major initiatives in the wake of the Dell Hell incident was the launch of its external blog, Direct2Dell. To assess the impact of Dell’s external blog within the larger ecosystem of blogs that were discussing Dell, the researchers undertook a social network analysis of blogs that commented on Dell’s 2007 launch of a product loaded with the Ubuntu version of the Linux operating system. Google blog search was used to find all blog posts that appeared in the five weeks after an announcement about this product was posted on Dell’s external blog in May 2007. To find relevant posts, the research team first read a number of comments and linked posts from Dell’s external blog, as well as relevant independent blogs, to select appropriate terms. Based on this analysis, the search terms used were ‘great Dell’, ‘thanks Dell’, ‘Dell Linux’ and ‘Dell Ubuntu’. A total of 719 blog posts using these terms were found, and the cross links between them were identified to construct a social network map (see Figure 3, with Dell’s corporate blog outlined with an oval).

The analysis showed that Dell’s external blog was an important node in the network of blogs discussing Dell. But the overall ecosystem of blogs talking about Dell was large. The network analysis thus showed that even a successful corporate blog, like Dell’s, represents only one voice among many discussing a company in the blogosphere.

Users of Dell’s External Blog

The final analysis was a netnography of user comments to a Direct2Dell post on the Ubuntu system’s launch, dated 24 May, 2007 (Menchaca, 2007). A total of 209 comments to this post appeared between 24 May and 26 June. More than three quarters of these (173 comments) appeared on the first two days, with the remainder (37 comments) appearing over the rest of the period. A total of 186 authors contributed these posts.

The gender of 133 of these contributors could be identified; 122 were men and 11 were women; the gender of the others could not be determined. The geographic location of some could be identified; of these, most were from the United States, but some were also from Europe, Latin

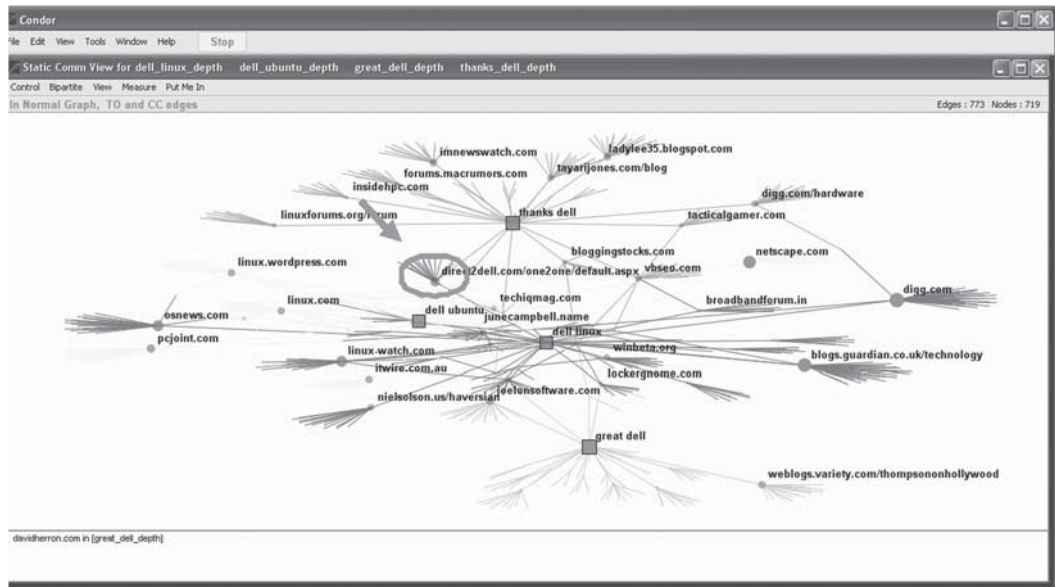


Figure 3: Network map of ecosystem of blogs discussing Dell’s launch of system with Ubuntu, May–June 2007

America and Asia. The contributors were technically savvy and their posts indicated they were early adopters of new high-tech products. Outbound links in the comments showed that many contributors had their own blogs.

Based on their entries, these contributors were classified according to a segmentation scheme developed by Kozinets (2002). The results are presented in Table 1.

Kozinets has noted that the devotee and insider segments can be especially useful to companies in identifying emerging consumer trends, since these two groups possess many characteristics of lead users, who can be a valuable source of ideas for new products (von Hippel, 1986).

To determine the contributors’ sentiment about Dell’s launch of the Ubuntu system, the researchers analyzed their comments to determine whether they expressed a favorable or unfavorable opinion about Dell’s action. Nearly three-quarters of the comments were positive or very positive. Detailed results appear in Table 2.

Table 1: Segmentation of Contributors to Direct2Dell Post on Launch of Ubuntu System, May–June 2007

Attachment to online group	High	Minglers 28 (15%)	Insiders 41 (22%)
	Low	Tourists 0 (0%)	Devotees 117 (63%)
	Low	High	
		Interest in consumption activity	

The final analysis was an assessment of the level of recognition of Dell’s brand embodied in the comments. Three levels of brand perception were recognized:

- *High brand perception:* Contributor cites the Dell brand directly, using positive words, or refers to favorable past experience with Dell products or intention to buy a Dell product in the future.
- *Medium brand perception:* Contributor does not cite prior experience with Dell’s

Table 2: Nature of Opinions Expressed in Comments about Dell's Launch of Ubuntu System, May–June 2007

<i>Nature of opinion</i>	<i>Number of comments (percent)</i>
Very positive	99 (47%)
Positive	50 (24%)
Neutral	44 (21%)
Negative	11 (5%)
Very negative	5 (2%)
Total	209 (100%)

products but does suggest the possibility of buying from Dell in the future.

- Low brand perception: Customer has no prior experience with Dell products and does not suggest the possibility of buying from Dell in the future; rather, customer appears more interested in other brands.

This analysis suggests that more than 90 percent of the posts showed a high or medium perception of the Dell brand. Detailed results are reported in Table 3.

This analysis shows that Dell's blog was able to attract many members of an attractive customer segment to an online environment that contained overwhelmingly positive messages and the firm and its brand.

DISCUSSION

The analysis of blog posts provides evidence that there is a strong 'echo effect' in the blogosphere (Scoble and Shel, 2006), and that a negative event may have a longer life there than in the mass media. This is likely due to the persistence of content on the Web. Because of the way Google and other leading search engines work, blog posts that gain a prominent position tend to get linked to more frequently than less prominent posts and thus gain even greater prominence over time. This is in sharp

Table 3: Perception of Dell Brand in Comments about Dell's Launch of Ubuntu System, May–June 2007

<i>Nature of opinion</i>	<i>Number of comments</i>
High perception	95 (46%)
Medium perception	95 (46%)
Low perception	13 (6%)
Unclassifiable	6 (3%)
Total	209 (100%)

contrast to negative news reports in the pre-Web era, whose prominence tended to decline over time as the public moved on to the next day's lead stories and forgot about yesterday's. For example, in the quarter after Jeff Jarvis blogged about his problems, slightly more than 100 negative posts about Dell were circulating in the blogosphere using the terms 'Dell Hell' and 'Thanks Dell'. Nearly two years later, in the second quarter of 2007, even after all of Dell's investments to improve customer service and reach out to customers on its own blog, nearly 250 negative blog posts about Dell appeared. This means the 'Dell Hell' incident had a negative echo effect that persisted long after Dell had taken strong steps to address the problem.

This echo effect may have been magnified by the rapid growth in the blogosphere as a whole during the 2005–2007 period. But this growth meant that the blogosphere was becoming increasingly important, generating a growing number of messages about every firm's reputation that was having an ever greater influence on customers.

At the same time that this negative echo effect was reverberating throughout the blogosphere, Dell was attracting an interesting group of current – and more importantly – prospective future customers to the online community that congregated around its external blog. It is notable that 117



of the 209 comments to the post announcing the launch of the Ubuntu system were contributed by devotees – computer buffs who did not have a strong allegiance to Dell – a highly promising group of prospective future customers. Dell's blog provided a mechanism for bringing these prospective customers together in a community where many of Dell's current customers were also active. In this setting, both groups participated in an informal and spontaneous online conversation. Dell's blog thus provides a platform for convening a community of prospective customers in a setting where its brand was prominently represented, while at the same time, open and honest exchange of opinions generated useful feedback for the company.

IMPLICATIONS FOR MANAGERS

The emergence of the blogosphere in the second half of the past decade brings to fruition some of the forecasts that appeared during the dotcom boom about the Internet's capacity for increasing the power of individual customers' voices (Locke *et al.*, 1999). The growing prominence of the blogosphere, and other Web 2.0 innovations, means companies need to think about reputation management in new ways.

One key implication is that companies need to listen to the emergent voice of their customers by monitoring the blogosphere. Many companies have already adopted this practice. For example, airline customer service groups watch sites like Flyertalk to identify and quickly respond to customer complaints (Wilber, 2007). The blogosphere's long-lasting echo effect increases the importance of monitoring, since it can allow firms to identify and act on problems quickly, before they start to reverberate through the Web.

Another implication is that when a problem does arise, the company must both act and communicate with its customers that it

is acting. As Market Sentinel, a consulting group that specializes in helping companies interact with the blogosphere notes: 'Action without engagement can lead to a situation in which a company's bad reputation outlasts positive changes to its service delivery; engagement without action can lead to cynicism from on-line commentators who hear honeyed words but see no positive changes in their experience of the brand' (Market Sentinel, 2007). The kind of communication that works in the Web 2.0 era is not the press release and public relations-driven approach of the mass media age. Rather, it involves one-on-one engagement with key players in the blogosphere. For example, in the aftermath of Dell Hell, Dell's bloggers and even Michael Dell himself reached out directly to Jeff Jarvis and other prominent bloggers who were instrumental in launching the story.

Corporate blogs can help. For example, Direct2Dell was a platform that allowed Dell to communicate effectively with its customers about the product recall that occurred after one of its laptops exploded at a conference in 2006. And corporate blogs present opportunities for engaging the most forward looking customers in an informal community setting that can foster high levels of loyalty and engagement. This model suggests that in the future, firms might want to shift from the focus on individual customers that serves as the basis of existing customer relationship management approaches and think more about engaging customers as they interact within Web-based communities.

But it is important to recognize the limitations of corporate blogs. The blog of even a large and prominent firm like Dell is only one voice among a cacophony of voices in the blogosphere. As the story of Dell Hell demonstrates, in the era of Web 2.0, even a small voice with a story that has resonance can make a very loud noise.

The rise of customers expressing their opinions openly on the Web can be a

disconcerting change for large companies, since it represents a loss of control. But companies should welcome this development, since the blogosphere is effectively assembling the collective voice of customers that companies formerly struggled to capture through mechanisms like market research surveys and analysis of customer service queries.

The rise of the blogosphere means that attending to the customer's voice, as expressed online, is one of the areas where large firms can today take advantage of Web-enabled collective intelligence (Malone *et al.*, 2009). Feeding emerging ideas into new product development groups is but one innovative way companies are harnessing the customer sentiment now being aggregated on the Web (Hoffman, 2009). For executives charged with managing their firm's reputations, the most powerful action is to listen attentively to the cacophonous and multi-faceted voice of the customer that today echoes throughout the blogosphere.

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