The Role of Electronic Word-of-Mouth on Stakeholders' Perceptions: Can Online Opinion Impact Managers' Futures?

Emergent Research Forum Papers

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Abstract

The recent advances in information technology have provided new avenues for corporate executives to present themselves to and interact with internal and external stakeholders. We aim to examine the concept that electronic word-of-mouth (eWOM) in the realm of top managers and its consequences on job tenure. Although prior research provides evidence about influence of eWOM on various organizational outcomes, influence on top management career prospects including managerial survivability is not clear. In this study, we are interested in understanding how eWOM about top managers can affect managers' career prospects. Specifically, we seek to answer two questions. Does eWOM about top managers in social media affect survivability in their current positions? If so, can managers' participation in online community moderate this relation? We apply text mining techniques on publicly available social media posts about top managers to assess how public opinion influences survivability in their positions.

Keywords

Electronic word-of-mouth, social media, top managers, job survivability, text mining.

Introduction

"Successful leaders will no longer be measured just by stock price. Managing and communicating with shareholders, employees, government, community, and customers will be table stakes in the future. They are talking about your business anyway. Why not be included in the conversation?"

As Peter Aceto, CEO of ING Direct Canada, implies above; shareholders, employees, customers, board of directors and the public in general may want their managers to be utilizing social networking environments. By being active in such channels, top managers have the opportunity to disseminate a variety of public signals as they are social, innovative, and accessible. Adopting a new technology is inherently risky for top managers and stakeholders expect their managers to manage those risks to grow their business. In line with the general view, a recent IBM survey implies that managers are getting ready to be more active in social media and estimates that the usage of social media by corporate leaders will more than triple by 2017[1].

Social media is not only a channel for disseminating business news for corporations but also an arena for participation in which organizations interact with the public. Social media is a bi-directional communication channel where stakeholders and other interested parties can interact with the

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[1] http://www-935.ibm.com/services/us/en/c-suite/ceostudy2012/infographic-01.html

corporation. These interactive platforms generate images that are intangible assets for organizations. The social media platforms are also venues where users can actively participate in the ongoing process of influencing assessments of corporations. In addition, social media has the advantage of presenting a collective public opinion which sets it apart from traditional news media (Kietzmann et al, 2012). Users express their opinions as they search for information, gain knowledge, and make interpretations based on communication about an organization and its executive team. Once they have built an opinion, they share it with others and their personal perceptions become public (Mills, 1959). Specifically from a manager's stand point, social media may be utilized as a valuable resource to develop, maintain and protect their reputation in the eyes of stakeholders who view them as social influencers and professional leaders. Thus, social media serves as an important platform for managers to answer following questions:

- Do they even know I exist?

- How do I want to be perceived?

- How do I leverage social media to extend my career?

Influencing the perception of internal or external stakeholders in mass media has been studied comprehensively by management scholars (e.g. Westphal and Zajac, 1998; Carter, 2006). However, previous research suggests that people find user-generated content on social media more credible than traditional media (Johnson and Kaye, 2004). With the rise of social media platforms, organizations put additional emphasis on promoting themselves in a positive way on such channels (Aral et al, 2013). As a result, social networking platforms including Twitter have become efficient means of presenting corporate information to the public (Kruger et al, 2012). Creating and maintaining a favorable image in social media requires additional dialogs with the public which is fundamentally different than unidirectional traditional media setting (Aula, 2010). Social media offers one-to-one and one-to-many communication options which allow an engaging interaction between users and audience. In addition, social media provides unfiltered and candid information exchange among users, whereas in traditional media there are control mechanisms including editors, proof-readers etc. which lead to refined articles. Thus, social media posts may be considered unmodified opinions of users. With this in mind, after analyzing public opinions about managers in social media, some potential questions may arise. Figure 1 depicts our focus in the literature.

Media Coverage	Traditional News Media	Social Media
Firm Level	☑	☑
Top Manager Level	☑	*Our Research Focus*

Figure 1 Media coverage at the corporate and top manager level across different media platforms.

Managers' Career Prospects and Electronic Word-of-Mouth

While poor firm performance has been shown to be an indicator of managers' career paths, little is known about the role of external constituents on the board's decision about manager survivability (or tenure) (Wiersema and Zhang, 2011). Factors other than performance (e.g. perception of stakeholders) play a major role for manager survivability (Boeker, 1992; Wiersema and Zhang, 2011). In fact, general public evaluation of managers in social media may serve as collective evidence and can modify the perceptions of stakeholders. Thus, in our study, we focus on one of these external yet

unexplored effects, electronic word-of-mouth (eWOM) as it relates to managers in social media and survivability in their respective positions.

Electronic word-of-mouth is defined as any statements users share via social media (Kietzmann and Canhoto, 2013). For example, users share their opinions as short messages on the social media site, Twitter. As credible information sources, Twitter posts, or tweets, are also heavily examined as forms of eWOM in variety of contexts such as emergency management (Oh et al, 2013), political decisions (Kushin and Yamamoto, 2010), financial markets (Bollen et al, 2011), and branding strategies (e.g. Jansen et al, 2009). There are two dimensions in eWOM: *volume* and *valence* of coverage (Aggarwal et al, 2012). Although such studies provide evidence about influence of eWOM on various organizational practices, we are interested in teasing out the use of social media by managers to hold their positions. Specifically, we seek to answer following research question:

Does eWOM about top managers in social media affect survivability in their current positions? If so, can managers' involvement in social media moderate this relation?

Theory and Model

Volume of Coverage

We draw on the social cognitive theoretical perspective proposing that the amount and content of available information affects people's perceptions (Fiske and Taylor, 1991). More specifically, we are interested in how social media coverage of managers influences sociocognitive processes and choices of stakeholders for managerial survivability. Prior studies show that media legitimates entities by guiding public attention to those selected for coverage, therefore increasing the public's exposure to them (Kosicki, 1993). The degree of audience exposure through media is a function of the volume of the coverage an entity receives. Such exposure impacts sociocognitive processes germane to comprehension and liking (Pollock and Rindova, 2003). A vital mechanism through which high exposure in media results in favorable perceptions in the eye of audiences is that while audiences are unaware of their familiarity with a stimulus, they nevertheless demonstrate preference towards a stimulus to which they have been exposed more frequently (Pollock and Rindova, 2003). In a nutshell, social cognition studies suggest that repeated exposure to an object will increase familiarity and will lead liking of the object (Zajonc, 1968).

In line with the aforementioned theoretical arguments, previous research in related contexts posit that the volume of coverage in social media will increase the visibility of entities and most likely attract more observers to monitor their actions (Aggarwal and Singh, 2013; Aggarwal et al, 2012). Social media platforms have no costs and do not restrict information sharing. Thus, increases in the volume of coverage will generate the following processes: 1 Volume of coverage will strengthen the position of the managers in their online social networks (Kietzmann et al, 2011; Burt, 1992). 2- Volume of coverage and centralized location will increase the visibility and exposure of managers to audiences (Pollock and Rindova, 2003). 3- Increased awareness and familiarity about a manager among stakeholders will facilitate favorable perception formation (Pollock and Rindova, 2003). Overall, these arguments suggest that such managerial positioning will help open doors to the public sector, push sales, and attract new contracts (Agrawal and Knoeber, 2001; Renneboog and Zhao, 2014) which ultimately affect the perceptions and career prospects of managers (Geletkanycz et al, 2001). We therefore hypothesize that:

H1a. Top managers' volume of coverage in social media has a positive influence on survivability in their positions.

Valence of Coverage

Valence is defined as the degree that content of overall coverage is positive or negative. The valence of coverage about managers in social media may shape the stakeholders' perception. Information providers frame the content of information through their interpretations and presentations

(Gitlin, 1980). Stakeholder's perception of a manager's action depends on the positive or negative framing of the content of information (Westphal and Deephouse, 2011). Images formed by stakeholders influence the managers' tenure in their positions (Fredrickson et al, 1988). Therefore, disseminated information about a manager may affect the processes of image formation through the valence of the coverage.

The degree of public support for a manager signals a change in managerial reputation. Previous studies provide both theoretical and empirical evidence that media shapes the way stakeholders assess and interpret information about firms by framing explanations in positive or negative phrases (McCombs et al, 1997). Media coverage not only influences stakeholder perceptions of firms but also impacts the image of corporate leaders (Wade et al. 2006). Positive media coverage can strengthen managerial authority thus enhancing their discretion over corporate policy while also increasing their career prospects (Hayward et al. 2004). In contrast, negative media coverage can reduce managerial power and harm their image, thus diminishing their discretion over corporate policy and potentially damaging their career prospects (Wiesenfeld et al. 2008). Because past studies report findings regarding managers' coverage mainly in traditional news media settings, we ask if the results can be generalized about the influence of top managers' coverage in social media, either positive or negative, on their career prospects.

Social media allows for user to generate content in real time. The stakeholders' perceptions are formed in a short period of time due to the easy and efficient information spread about managers in social media. Organizations and individuals are using social media as a way to enhance, sustain, and defend their perceived images (Mangold and Faulds, 2009; Li and Shiu, 2012). Thereby, the content of information in social media is a credible information source for stakeholders (Aggarwal et al., 2012).

Indeed, overall valence of coverage in social media will reflect a public evaluation, and this evaluation may serve as a collective evidence for stakeholders (Rao et al, 2001). A number of studies in management literature suggest that a top management team's public image significantly impacts stakeholder perceptions and organizational practices (e.g. Certo and Hodge, 2007; D'Aveni, 1990). Thus, based on the aforementioned arguments and prior findings, we plausibly state that favorable word-of-mouth about managers will generate a positive signal to the stakeholders and will strengthen managers' positions ceteris paribus.

H1b. Top managers' valence of coverage in social media has a positive influence on survivability in their positions.
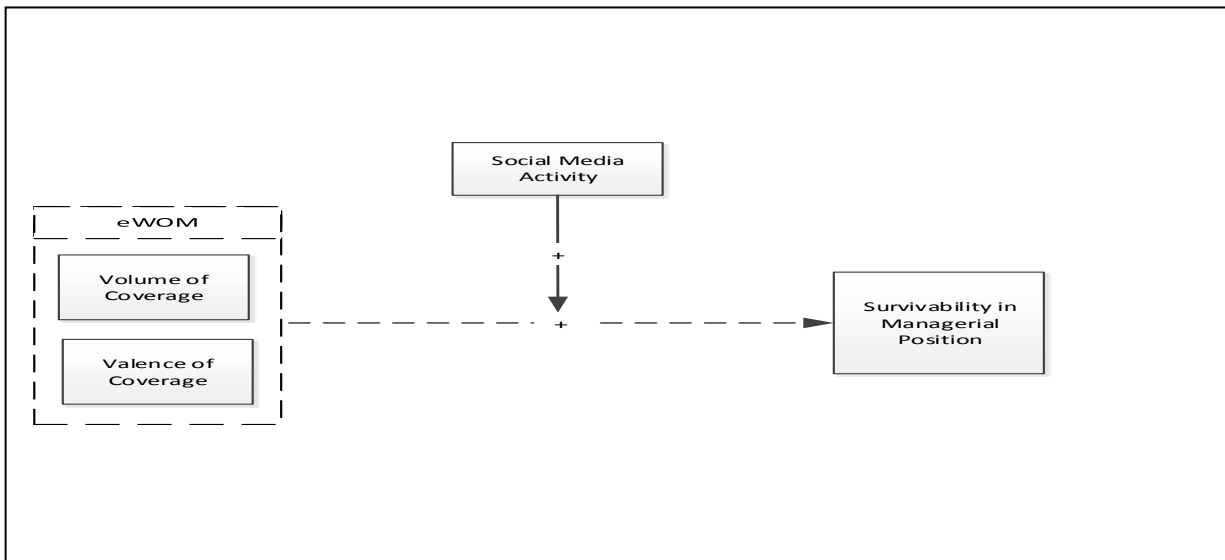
Figure 2 Impact of eWOM about top managers on survivability in their current positions

Top Managers' Social Media Activity

Managers themselves may moderate the effects of volume and overall valence of eWOM by actively participating in online networking platforms. Presence in such platforms will enable them to interact with the public, providing a chance to alter the course of information spread and ultimately stakeholders' perceptions. First, enhanced visibility and exposure through eWOM will provide a potential vehicle for managers to harness the eWOM to their benefit. By contributing to the online discussion, managers will likely attract and retain connections and sustain strong positions in their networks (Butler, 2001). In addition, theoretical and empirical studies on social networks suggest that active involvement in communication may benefit individuals in designing and expanding their networks to their advantage (Burt, 1992). Second, previous findings show that managers frequently engage in interpersonal influence and social exchange tactics in any kind of communication medium to modify the effects of their coverage in press (Westphal and Deephouse, 2011; Westphal et al, 2012). Social media can allow a fast, low cost, and efficient communication activity between managers and stakeholders where managers can leverage from these channels to moderate the effects of eWOM on their career prospects.

In practice, activity in social media will provide ease of access for stakeholders to valuable business information from top managers. Accordingly, new stakeholders will likely be attained and identified via online networking environments where number of individuals, connectivity, and interaction play key roles (Sedereviciute and Valentini, 2011). Activity through social media will allow for rapid transmission of innovations, promotions, expertise, and best practices between firm and stakeholders. Such managerial connection will generate more engagement with internal and external stakeholders including customers, employees, directors, and shareholders which are strategically valued by the firms in subsequent phases (Geletkanycz et al. 2001). As a result, managers who actively engage in communication activities in online platforms will be perceived as more social, innovative, accessible, dedicated to society, and confident to be public than will those who avoid appearing in such platforms.

H2. There will be supplemental interaction such that the relationship between eWOM about managers in social media and survivability in their positions will be positively moderated by managers' social media activity.

Negative eWOM vs Positive eWOM

Public image of a top manager is fragile and therefore can be lost easily and once lost takes much time and effort to restore. In the words of Benjamin Franklin, "It takes many good deeds to build a good reputation, and only one bad one to lose it"[2]. That is, a single negative signal may be given more attention by stakeholders than several positive ones. While eWOM about managers may serve as a signal for stakeholders during the perception formation process, we need to consider the attention given to those signals since signal efficiency is associated with receiver attention (Connelly et al, 2011). Drawing on social cognition studies (Fiske and Taylor, 1991), favorable eWOM about managers may be "taken-for-granted" for some stakeholders (e.g. shareholders and board of trustees) and result in attention decrement for such positive coverage. Conversely, negative coverage about managers can exert additional pressure on firms to make changes in corporate governance that increase the risk of manager dismissal (Core et al. 2008).

Previous findings in eWOM literature provide support for this postulate. For example, Aggarwal et al. (2012) posit that negative eWOM has a larger impact than positive eWOM on venture financing decisions. Another study shows that negative employee blog posts have a greater influence on readers than do positive posts (Aggarwal et al, 2012). Similarly, yet in a different context, negative eWOM has a greater effect on book sales than does positive eWOM (Chevalier and Mayzlin, 2006). Taken together, these arguments and previous findings suggest the following hypothesis:

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[2] Franklin, B. 2007. Benjamin Franklin Quotes. Thinkexist.com.

H3. *Negative eWOM about top managers will have a larger impact than positive eWOM on survivability in their managerial positions.*

Path Forward

This paper reflects our current theoretical development describing the relationship between the eWOM found on social media and the job tenure of senior managers. For the empirical validation, we plan to use the data from Compustat to measure job survivability as tenure in managerial positions. We also analyze thousands of posts from Twitter and articles on news media about top managers and use the Janis-Fadner coefficient of imbalance to operationalize valence of eWOM (Pollock and Rindova, 2003).

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