Chapter 47

Can Firm Performance and Corporate Reputation Be Improved by Communicating CSR in Social Media?
A Pilot Study Analysis

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ABSTRACT

As stakeholders make their decisions based on corporate reputation, it is vital for the companies to ensure that their CSR activities are communicated effectively via social media (SM) channels. It can be argued that by leveraging CSR in SM channels, firms have the possibility in strengthening trust and loyalty of their stakeholders and thereby enhancing corporate reputation and firm performances. Hence, the study aims to examine how CSR communication has an impact on firm performances and reputation. Top 50 and bottom 50 companies that are ranked in the Social Media Sustainability Index (2016) are collected along with four reputation ranking indices and Twitter data for this study. Although there is no significant relationship between Twitter and corporate reputation, there is a significant relationship between Twitter and firm performances.

INTRODUCTION

Most firms use social media to advertise their products and services (Kietzman et al. 2011). One-way communication from firms towards consumers is fading (Trainor 2012). The power of firms has shifted from firms towards consumers (Bunting and Lipski 2000). The financial crisis has led firms adopting more cost-effective promotional channels like social media (Kirtis and Karahan 2011). However, there are firms which disregard the use of social media channels (Kietzman et al. 2011).

At the beginning of 2015, social media users have exceeded 2 billion (Kemp 2015). This increase is since firms and individuals are using social media either to discover new followers or to discover parties who accompaniment them (Cheliotis 2009). Between 2015 and 2018, the number of firms that use social media to interact with their consumers will be more than triple (The China Post 2012). Emergence of various social media channels have enabled to generate communication in a more cost effective and efficient way to both internal as well as external stakeholders (Jones et al. 2009). This dissemination of information leads to create impact on the image due to the active engagement of the users in the environment (Jones et al. 2009).

By maintaining a favourable status in the competitive market, firms can access critical resources (Podolny 1993). It can even be targeted for a joint venture (Dollinger et al. 1997). Corporate reputation is an intangible asset, which assess the overall firm's current assets, their position and expected future performances (Teece et al. 1997). Hence, corporate reputation is the driving force for firms to generate competitive edge over their competitors, as it will be difficult for another firm to just match the esteem that they have generated through reputation (Fombrun and Shanley 1990). Further studies have identified that corporate reputation is a strategic asset and a superior performer, which sustains in long term (Roberts and Dowling 1997).

Electronic word of mouth has the potential in developing threats towards corporate reputation (Aula 2010). In contrast, social media has a strong influence in creating firm's future equity value (Luo et al. 2013). Due to the rapid growth of social media, it has become vital for firms to understand not only how to effectively utilise these channels to endure corporate reputation but also how it can be derived to enhance better firm performance.

This study analyses the relationship between twitter communication concerning CSR, corporate responsibility, and firm performance. Top 50 firms and bottom 50 firms are selected from the Social Media Sustainability Index (2016) along with the reputation indices and twitter data (number of tweets, followers, and likes) are collected to find out if social media affects corporate reputation and firm performance.

LITERATURE REVIEW

Corporate Social Responsibility

In the early 1950s, firms considered CSR as an obligation towards the society (Balmer et al. 2007). With the introduction of the CSR pyramid by Carroll (1979), firms have a responsibility towards the society, which encompasses economic, legal, ethical, and philanthropic expectations of the society. It is a concept, where firms assimilate both environmental, as well as social concerns of the business processes and with their stakeholders (European Commission 2011). It engages in the societal philanthropy, environmental friendliness, being ethical, and business practices regarding concerns of sustainability, product safety,

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