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Reputation Management as a Lever of Public Sector Innovation

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Abstract: Recently, the rise of reputation management has attracted significant interest from both the practitioners’ and scholars’ communities, in view of its potential applications to the public sector. The main goal of the research presented is to deepen the understanding of how reputation management may be used by public administrations in order to improve their effectiveness. We investigate these aspects by analyzing an Italian case study conducted on the authority responsible for regulating the Italian securities market. The analyses conducted provide evidence on how the new communication patterns enabled by the web are contributing to increase the role of citizens in counterbalancing the deficit of attention present in governance processes.

Keywords: Reputation Management, e-Government, Public Sector Innovation, Web 2.0.

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1. Introduction

New ways of working and communicating are arising (Friedman, 2007). People no longer exchange opinions by letters or even by telephone, instead web interaction is becoming the main way of communication, especially among the new generation. The online communities are spreading rapidly (Osimo, 2008) and this trend impacts on the way people formulate their opinions. This has significant effect on several aspects, such as businesses brands, policy acceptance and popularity. Indeed, long-lasting reputations can be made or broken by unmonitored influential opinion makers on the web (Liu, Hu & Cheng, 2005) and the brand image of a company may be irreparably damaged by the viral power of the web (Telofski, 2010). If not managed effectively, all these changes may represent a risk or a missed opportunity for both the public and the private sector. For this reason the present article intends to explore this phenomenon in order to better understand if and how it may be harnessed to produce value.

Since the web is in constant evolution, it is becoming too complex to be effectively examined with conventional monitoring strategies. Several tools and methods, such as online reputation monitoring, are being used on the web to answer the difficulties related to the exchange of information and opinions on the web and to analyze online behavior.

“Sociability is one of our core capabilities and it shows up in almost every aspect of our lives as both cause and effect. Society is not just the product of its individual members; it is also the product of its constituent groups” (Clay Shirky, 2008, p.14)

Later, he carries on by saying that:

“[Our] social nature even shows up in negation. One of the most severe punishments that can be meted out to a prisoner is solitary confinement” (Clay Shirky, 2008, p.15)

Individuals do not live in isolation, but belong to groups. Thanks to Web 2.0 tools the size and the geographical dispersion of social groups is increasing. Nevertheless, not only the relationships between individuals are changing, but also new forms of management are gradually moving from a logic of command and control to another one of connection and collaboration, both internal and external to the public sector organization (Friedman, 2007), the collaboration between people is increasing and Web 2.0 is emerging as primal aspect of human nature in the use of the World Wide Web. As a matter of fact, it does not refer to an update to any technical specifications, but rather to cumulative changes in the way software developers and end-users utilize the web. Related to this, new virtual areas where people can meet and communicate are emerging - blogs, wikis, social networks, online communities – and the need to manage and control the information flow is becoming recently a central issue (Osimo, 2008). Indeed, the process of knowledge development and communication on the web is strongly influenced by the level of collaboration, participation and interaction among people, which is principally obtained through their interpersonal communication (Wenger et al., 2002). Furthermore, the type of information that people provide is an important aspect to take into account when the online behavior is analyzed. Bad postings, negative feedback in blogs, harmful testimonials in popular forums, unrealistic comments, and product reviews from false users can potentially put a company out of business and can destroy its reputation with only a “click”.

In such a context, both the private and the public sectors have to equip themselves in order to be ready in responding to changes that occur in the context in which they operate. Firstly the changes that occur in the public sector environment and secondly the new communication patterns that are arising, impact on the activities conducted by the public administrations that have to understand how to manage this new shifts. At the same time, however, new tools are emerging that can help public administration in managing these changes. An example is represented by reputation management systems that can raise the awareness of public administrations about the online behaviors of the web users, and help them to understand the nature of opinion changes and formation. Furthermore, the increased engagement of citizens and the wider use of ICT tools result in four main potential innovations in the interaction of citizens with the government: 1) broader value added to government from citizens thanks to data mining of social networking sites; 2) re-engagement of younger citizens in policy making processes as they are more likely to use social networking tools to express opinions; 3) increased numbers of citizen viewpoints represented in policy formation through use of social networking site analysis; 4) increased levels of interaction between citizens and government in policymaking.

Given these aspects, in this paper we formulated the following research question: “How does reputation management add value to the services offered by public administrations?”. We answer to this question by using the studies conducted by ActValue Consulting & Solutions.

We structure the reminder of this paper as follows. Section 2 provides a literature review about reputation management. Section 3 presents the research method. Then, the analysis of the data and the main results are shown in section 4. Finally, we provide concluding in the last section.
2. Reputation Management

Reputation is a cross-disciplinary concept, including ideas from marketing, social psychology, economics, and decision science (Yu and Singh, 2002). Several research have shown how social entities, people and organizations monitor their own reputation and others reputation (Bromley, 1993; Emler, 1990). Specifically, Bromley (1993) highlighted that people not only monitor the reputation, but also are concentrated on managing it. Also decision science studies the reputation concept. They look at reputation in terms of game theory. Indeed, the prisoner’s dilemma is strongly related with the concept of trust and reputation building, given that if players trust each other can both cooperate, otherwise a player punish the opponent in case a defection is observe.

When the reputation issue is considered, an important aspect that emerges is the dissemination of the reputation information. One way through which reputation information can be created and disseminated in online communities is with the use of a reputation management systems (Nielsen, 1998). These are systems that allow users to provide their judgments and opinions about the quality of a product, the delivery of a service, the performance and actions of a company, the behavior of individuals and services delivered by public administrations. Typically, responses of users are aggregated, elaborated and shown providing an overall reputation score. This overall reputation score can be usually used as an indicator of reputation of companies, individuals, public administration and so on. One of the main principle related to the reputation management systems is collaborative filtering. Goldberg et al. (1992) pointed out that “collaborative filtering means that people collaborate to help one another perform filtering by recording their reactions to documents they read”.

Reputation Manager’s goal is to search for Web 2.0 content proactively in order to find issues posted by citizens not directly addressed to the person in charge for a given policy, but just commenting and highlighting on generic web sites – e.g. I’m not satisfied of the new road plan of my city, and post this on a blog or forum instead of writing my disappointment directly to the town councilor. Moreover, Reputation Manager can help bring “the crowd” closer to policy-making and let citizens feel more influential on the policy agenda. How can this be achieved? Reputation manager allows policy makers to engage directly with the end users who are commenting or posting on various online forums. Reputation manager helps to respond directly to any online post, so as to acknowledge that the issue has been spotted and will be worked out by the competent authorities. Another key aspect to keep in mind is that the explanatory and satisfactory effect of this reply “going straight to the target” does not impact only on the citizen who posted the comment, but also on everyone else who will access the same web page. In fact, every piece of web content “lasts” for quite a long time; vice versa, any issue left open can generate an increasing dissatisfaction over time.

However, even thought in the past few years, a growing body of academic and practitioner literature has emerged concerning “reputation management” (Fombrun, 1996), the usage of reputation management on the Internet is still in its infancy. We believe that the actual infancy state of the reputation management could be overcome, even though there are many problems that need to be addressed in order to perfect the inner workings of such a system: feedback may not be provided at all; people often hesitate when it comes to providing negative feedback; unreliable reporting can be possible.

But, why is reputation management becoming increasingly important? Unlike the past when reputation management was an impalpable concept, committed to the collective memory, nowadays it becomes a real “business card”. It is concrete given that everything is written and especially is easily accessible by everyone. The reason for this conceptual revolution was the strong acceleration of the Internet diffusion among citizens and companies, which has now
reached a critical mass capable of establishing itself as a media reference. Currently there are about 30 billion pages on the Web, with 23.8 million users. The first channel is Facebook audience (35.6%), whilst the second is Youtube (31.6%). In July 2010 were counted 23,835,000 Italians online, an increase of 9.9% compared to July 2009. Active users are 10.8 million on average in a day, sailing on average for 1 hour and 28 minutes a day. Furthermore, the 43.6% of the Italian population with more than 2 years make access to the Internet at least once a month (Alloisio, 2010). Specifically, the number of visitors and pages viewed in 2010 are shown in table 1. Furthermore, a survey conducted by Reputation Manager in January 2011 shows that around 450 Italian Mayors (over 5% of the total) - ranging from small villages to big cities such as Rome, Florence and Bari - have an official presence on Facebook. They use the social network to regain a direct communication channel with their constituency without the mediation actions and filters routinely performed by civil servants, journalists and organized stakeholders.

Table 1: Social Network interactions (Alloisio, 2010)

<table>
<thead>
<tr>
<th></th>
<th>Visitors (millions)</th>
<th>Pages viewed (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facebook</td>
<td>550</td>
<td>630</td>
</tr>
<tr>
<td>Youtube</td>
<td>480</td>
<td>69</td>
</tr>
<tr>
<td>Twitter</td>
<td>96</td>
<td>6.4</td>
</tr>
<tr>
<td>Linkedin</td>
<td>41</td>
<td>1.9</td>
</tr>
</tbody>
</table>

In such a context, also the marketing campaign prefer the social media channels, instead of the traditional media channels, as TV, radio and newspapers (Figure 1), since they can reach more quickly the final users and understand their needs.
The popularity of social media platforms results in quicker and informal communications, and allows rapid distribution of both positive or negative opinions. Thus, for companies, monitoring, protecting and enhancing their image means value creation for the future, based on public confidence in the company and positive attitudes associated with its products and services. Whereas for public and political figures, taking care of their online reputation means creating a conscious relationship between their identity and the network in order to:

- Monitor the content associated with the name
- Promote the professional image to create a network of contacts relevant to their business and to build career opportunities
- Protect and control the privacy, security and credibility

In order to understand the dynamics that characterize reputation management, Papworth in 2008 has proposed a framework to show how reputation management works among web users. She has identified four main steps, distinguishing between the active and the passive reputation management: 1) the first action consists in the profile creation on a site; 2) then, the web user makes connections with friends and add applications, groups and events to define an identity; 3) third, users interact, offer contents, comments and ratings, gaining a reputation over time; 4) finally, the reputation is then turned into a “trust factor” where can be decided how trustworthy a social network member is by the way they fill out their profile, by the connections they make, and by the content they submit.

3. CONSOB and ActValue Consulting and Solutions

The study object of this paper is conducted on data gathered by ActValue Consulting and Solution, whose data collection and analysis is ordered by CONSOB in a pilot monitoring effort that started in November 2009. Thus, before describing in more detail the research method followed in this research study, we believe that is important to understand firstly what is CONSOB and which are
its activities, and secondly provide a short presentation of ActValue Consulting & Solutions guidelines.

3.1. CONSOB

CONSOB is the supervisory authority for the Italian securities market. Its mission is to protect investors as well as the efficiency, transparency and development of the Italian stock market. Its activities are thus aimed at overseeing:
- transparency and correct behavior by securities market participants;
- disclosure of complete and accurate information to the investing public by listed companies;
- accuracy of the facts represented in the prospectuses related to offerings of transferable securities to the investing public;
- compliance with regulations by auditors entered in the Special Register

CONSOB thus conducts investigations with respect to potential infringements of insider dealing and market manipulation law. In 2009 it started decided to explore the usage of reputation management services as a mean to improve and expand its overseeing activity.

3.2. ActValue Consulting and Solutions

ActValue Consulting & Solutions was founded in 2004 from a group of professionals coming from the major consulting and industry companies, and operates in the field of Information Technology developing advanced solutions for goods and services production and distribution companies. The objective of ActValue is to promote the increase and the development of enterprises through processes, organizational methodologies and computer science technologies innovation. ActValue develops its own offer and technological innovation along three main guiding lines: human resources, automation and logistics and Web 2.0.

Specifically, we focus on the third activity of ActValue named Reputation Manager: an application for the analysis, of the reputation of a business and the opinions expressed from customers of the Web about products, services, people, organizations and/or any relevant topic. The aim of the analysis is to survey the comments, especially on the informal web (forums, blogs, personal web sites, opinions and reviews portals), which means ‘listening’ to online conversations held by UGC (User Generated Content), in order to provide information to companies and institutions such as the CONSOB. Specifically, by interviewing the researchers of ActValue, we have identified the methodology followed by them, which can be summarized in ten points:

1. Monitor the current situation of web perception in regard to aspects related to the activity of CONSOB and listed companies.
2. Identify the most discussed topics on the Web, classified according to their positive or negative connotation.
3. Identify in which area negative comments are concentrated, by paying particular attention to the discussions developed on blogs and forums rather than on institutional portals and news sites.
4. Follow daily the development of consumers and investors conversations regarding CONSOB’s provisions and their impact on the market in order to prevent and deal promptly with any possible viral effects on other information channels such as print media.
5. Identification and analysis in detail of most significant domains.
6. Analysis of the sentiment of conversations.
7. Analysis of the most active thematic channels.
8. Analysis of video portals and monitoring of relative comments.
10. Calculation of Effective Reputational Risk Coefficient (CERR®)\(^1\).

As can be seen above, the analysis is divided into classes of investigation which tend to represent the reality we want to investigate. This methodology allows to obtain a detailed output that helps to better understand in which areas are concentrated the relevant cases and which information public administrations can provided to companies, in order to increase their awareness on what happens outside the company’s boundaries.

### 4. Research method

The study conducted in this research is explorative in its nature. The aim of this paper consists in investigating how reputation management can add value to the services offered by the public administrations and what information reputation management can provided. To answer to this question, we have used three research sources. Firstly, we have conducted a literature review in order to understand how the reputation management is seen by the practitioners’ and scholars’ communities. Secondly, we have conducted interviews with the researchers that operate in ActValue in order to comprehend deeply how they conduct their studies and how their reputation management tool works. Thirdly, we have conducted a desk research by using data that ActValue provides to CONSOB on two Italian companies: a biopharmaceutical company and a leading financial group\(^2\). The research sources used in this explorative study are summarized in Figure 3.

![Figure 3: Research methodology](image)

Specifically, the data used in this study are the output of the research activity conducted by ActValue by looking at more than 30 Internet sites, such as www.finanzaonline.com, www.borse.it and www.gazzettino.it, each of which have different information channels such as blog and forum. Among all the studies conducted by ActValue, we have decided to focus the attention on the results concerning the two most discussed companies on the web in October, 2010. The first is a small company and the second is a large company. On the one hand, the small company is a biopharmaceutical company focused on developing and commercializing novel agents in an extremely narrow and specialized market. On the other hand, the large company is one of the leading European financial groups with a worldwide network presence. The biopharmaceutical company is the "most discussed" listed company on the Web 2.0.

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1 CERR® considers an objective numerical parameter associated to content based on: 1) The strength of the message whether it is positive or negative; 2) The popularity of the website based on how big the potential audience may be based on channel type; 3) The relevance of the message to the business model.

2 We do not provide the name of the companies for confidentiality reasons.
We analyze a small company and a large company since we would like to understand how the importance and the dimension of a company can impact on the opinion formulation of the web users and how the reputation management, in both case, can help CONSOB to protect investors by increasing their awareness about what is happening in the market and to encourage the efficiency, transparency and development of the market itself.

5. Analysis and main findings

The analysis follows a two stage process. First, we provide an analysis of the role that Internet has in the opinion formulation when a small or a large company is discussed. Second, the reputation management contribution in the service delivery of the public administrations is highlighted.

Considering the analysis conducted by ActValue on the small company, in a review of the papers made by CONSOB on the Web 2.0 in October 29th, 2010, one of the main statements was:

“It is possible to say that the Web 2.0, compared to traditional media such as printed paper, actually moves ahead with regards to smaller companies, and late or otherwise “dragged out” with regards to bigger companies. In other words, with regard to small companies rather ignored by the press for these very reasons, they are still judged by the users in order to speculate on the stock market gaining on increases or downturns, on the web the users get active by formulating assumptions to create potential scenarios also by trying to anticipate news of the markets, that sometimes became true and published on the official newspapers. The typical case, inside the Italian market, is actually a small biopharmaceutical company, no doubt the most discussed company on the whole Web but of which we do not read a lot on the printed press”.

In support to the previous statement, it is important to analyze when the information about the company appears on the web and when on the printed press. An example of a quotation on the small biopharmaceutical company made by a web user of the financial forum Yahoo is shown in the next box, which is dated October, 2010.

The previous quotation was done days before the printed press started to discuss about the small biopharmaceutical company stock options. Indeed, only after the Web 2.0 anticipations, the news regarding the small biopharmaceutical company have been published, specifically on November 3rd 2010, in the newspaper “La Stampa”, on the column dedicated to Economics:

“Nasdaq grants the small biopharmaceutical company an extension to renew the observance of the requirement concerning the minimum price of offer FTA Online News. Today the small biopharmaceutical company has announced that the Nasdaq Stock Market has granted other 180 days to regain the requirement Nasdaq concerning the minimum price of offer equal to $1.00 according to the Marketplace Rule regulation. Previously-- make a statement - on May 3th, 2010, Nasdaq had notified to CTI that CTI did not satisfy the requirement for the minimum price necessary to continue to be included in the Nasdaq list, setting to November 1th, 2010
the last date of the compliance achievement. CTI will be considered accordant whether, during the period of 180 days and prior to May 2th, 2011, the closing price of CTI’s ordinary stock will be at least $ 1.00 per share, with a minimum of 10 consecutive working days”.

As can be seen above, the gap in terms of time periods when the web discusses the small biopharmaceutical company’ stock options and the printed press reports information about the same company, indicates how the web is acquiring a new role especially in case of small companies. Indeed, opinion exchange on stock options made by forum users can impact on the investments decisions before authoritative sources speak about the same issue. Nevertheless, if on the one hand the web enables the users to reach higher information quantities but not filtered without the presence of gate keepers, on the other hand the information could be not authoritative, not reliable and easily maneuverable.

Now, considering the analysis made on the leading financial group, here the web seems to move literally as drag, by mostly commenting on the news reported by newspapers. In order to understand how in this case users are more likely to follow the mainstream media rather than anticipate them, as it usually happens for smaller companies, we may refer to the recent dismissal of the former CEO of the group we are speaking about: the news has been debated on the web 2.0 but only after it happened. In the box below we show a comment appeared in the Web 2.0 on September 25th, 2010, a few days after the group CEO announcement. Online users started to write on the web only after the publication of the news in an article in the newspaper “La Repubblica”.

As is pointed out above, in case the object of discussion are large companies, the web has the only role of commenting the news shown in the newspapers. Nevertheless, in this case the information could be more authoritative, reliable and not easily maneuverable. Indeed, the new way of disseminating opinions and of carrying out online discussion express a tradeoff concerning the quality of information provided.

Taking into account the new role that the web is acquiring, the new communication patterns that are arising, the increasingly role played by the citizens in the strategies followed by the public and private sector (Ferro & Molinari, 2009), the public administrations have the big possibility to provide higher quality services. Indeed, thanks to the new information sources, the speed through which the information flow and the availability of new tools, especially of the reputation management, the public administrations play a primary role in the regulation of investment services and activities and possess a higher amount of information to use when conduct their activities and when provide advices. As can be seen above, especially in case of small companies, CONSOB can be more ahead in the provision of information regard to the printed press. Though the use of the reputation management, CONSOB is able to know in advance questions concerning the market in which companies operate, their performance and the services provided to intermediaries. In such a way, CONSOB can make conscious citizens and companies days before that everyone becomes aware of events that are happening in the society and that concern their performance.
6. Conclusions

The role of the Internet in the opinion formulation and in the achievement of a high level of reputation of public and private institutions seems to be more and more relevant. As a matter of fact, this aspect represents an important input to take into account in several areas. Indeed the role of the Internet is relevant in the process of policy making, such as policy acceptance and policy evaluation, in the election campaigns and in activities related to the institutional communication. In a society where blogs and social networks are taking over, the public administrations have to look at Internet with a different lens: they have to start to use the Internet efficiently and they have to see this instrument as a powerful communication tool. A survey conducted by Reputation Manager in January 2011 shows that around 450 Italian Mayors (over 5% of the total) - ranging from small villages to big cities such as Rome, Florence and Bari - have an official presence on Facebook. They use the social network to regain a direct communication channel with their constituency without the mediation actions and filters routinely performed by civil servants, journalists and organized stakeholders.

Specifically, in this paper we have analyzed how the reputation management is used by the public administrations in order to change and sometimes improve their services delivery. Particularly, reputation management is increasingly acquiring importance and its diffusion is rising due to the widespread diffusion of the Internet among citizens and companies, which has now reached a critical mass capable of establishing itself as a media reference. Specifically, reputation management’s goal is to search for Web 2.0 content proactively in order to find issues posted by citizens not directly addressed to the person in charge for a given policy, but just commenting and highlighting on generic web sites – e.g. I’m not satisfied of the new road plan of my city and post this on a blog or forum instead of writing my disappointment directly to the town councilor.

The analysis conducted shows how companies are discussed in the Web. It has emerged how the small and the big companies follow a different path. Web users do not just follow printed press news but anticipate the new discussions. As for the small biopharmaceutical company web users try to outline potential scenarios in order to understand how stock options are performing in the market. In such a case, the web moves in advance of the printed press. Conversely, for large companies, well covered by official printed press, web users usually discuss the news already published, especially whether they present bad comments or negative events on a brand. Nevertheless, a trade-off has to be evaluated in the Web 2.0 generation: is preferable to have a huge amount of information, not filtered, not authoritative, not reliable and not easily maneuverable, or is more desirable less information, filtered, authoritative, reliable and easily maneuverable? This is a dilemma that is characterizing a period in which the information flows are acquiring high speed, the web users are enhancing communication and new communication patterns are evolving.

Concluding, this paper shows how the Internet is impacting more and more on public and private activities. New tools are adopted, such as reputation management, which add value to the activities conducted by public agencies, (e.g. CONSOB) allowing them to adapt to changing communication environments.

References


About the Author

Elisabetta Raguseo
Elisabetta Raguseo graduated in Industrial Engineering and Management in 2009 at Polytechnic of Turin. She started her Ph.D. Industrial Production System Engineering in January 2010 and she also covers an adjunct professor position at the Polytechnic of Turin. At the same time she is currently working at Istituto Superiore Mario Boella (ISMB) in Technology Intelligence Lab (TIL) as Junior Researcher, where she works in ICT-related issues, such as technology diffusion and policy analysis in enterprises and public administrations. Her research activities can be drawn back to the role that Information Technology (IT) have in enabling innovation in enterprises’ business models, organizational structures and business processes. She also collaborates on these topics with the Piedmont ICT Observatory.

Paolo Mosconi
For over 15 years Paolo has worked as project manager and business developer manager in multinational consulting organizations leading global and local teams in complex consulting and system integration engagements for Italian and European clients. In 2004, with other partners, Paolo has given birth to ActValue Consulting & Solutions: the advanced technology and services company that has created Reputation Manager. Paolo is ActValue’s CEO and is actively pursuing Reputation Manager’s international growth. Paolo holds an advanced degree in Engineering from the University of Pavia, Italy.

Enrico Ferro
Enrico Ferro is the head of the Technology Intelligence Laboratory of the Mario Boella Institute (ISMB), a research team studying the economic, social and policy implications of information and communication technologies. Over the last ten years Dr. Ferro has worked in many projects financed by the European Commission with roles ranging from scientific supervisor to senior expert. Dr. Ferro also covers an adjunct professor position at the Polytechnic of Turin where he regularly lectures on information management and strategies in both the public and the private sector. His research work has produced about twenty-seven academic publications, one handbook of research and over thirty research reports. Dr. Ferro is actively involved in the organization of a number international academic events dealing with innovation management in the public sector (eGOV, DGO, HICSS).