

**THE EFFECTS OF CORE VALUES  
TOWARDS THE ORGANISATION  
REPUTATION: THE MEDIATOR ROLE  
OF SOCIAL MEDIA REPUTATION**

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**UNIVERSITI SAINS MALAYSIA**

**2023**

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THE ORGANISATION REPUTATION:  
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SOCIAL MEDIA REPUTATION**

by

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**Thesis submitted in fulfilment of the requirements  
for the degree of  
Doctor of Philosophy**

**October 2023**

## ACKNOWLEDGEMENT

First and foremost, I would like to express my sincere appreciation and heartfelt gratitude to my primary supervisor, Associate Professor Dr Salmi Mohd Isa, for her continuous support of my PhD research and her patience, motivation, enthusiasm, and immense knowledge. Her encouragement, excellent guidance, and critical comments have greatly contributed to completing my thesis. She provided me with direction and technical and emotional support. Under her tutelage, I became more interested in completing this thesis. I could not have imagined having a better supervisor and mentor for my PhD journey. For all these, I sincerely thank her from the bottom of my heart and will be indebted to her throughout my lifetime. My deepest appreciation also goes to Professor Ramayah Thurasamy, my co-supervisor, for his invaluable ideas, guidance and consistent support, as well as his knowledge, which help me to overcome my difficulty. It would be impossible to complete my research without their advice and assistance.

Next is to my devoted wife, Noralizah Ismail and my children, Abdul Muiz, Mohd Zaim and Alesya Khadeeja, who are both my soul and my world. Your perseverance, selflessness, comprehension, and support have been invaluable to me throughout this incredible journey. Not to forget my beloved sister, Mahalipah Othman, who has supported me in my studies. My friends, especially Dr Idris Osman, Dr Irzan Ismail, En. Helmy Fadlisham and others have also encouraged me to complete my studies and always lend a helping hand when needed. Their prayers, encouragement, and unconditional love inspired me to be strong in completing my studies.

My gratitude also goes to the Ministry of Higher Education for granting me the scholarship to pursue this PhD degree. Finally, I want to thank me for believing in me despite all the obstacles that I have gone through throughout this journey.

Thank you all.

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## LIST OF ABBREVIATIONS

AVE	Average variance extracted
CB-SEM	Covariance-based SEM
CMB	Common method variance
CMV	Common method variance
COSO	Committee of Sponsoring Organizations' (COSO)
DV	Dependent Variable
ERM	Enterprise Risk Management
GoF	Goodness of fit
HTMT	Heterotrait-Monotrait Ratio
IV	Independent variable
KFC	Kentucky Fried Chicken
MCO	Movement Control Order
PLC	Public-Listed Company
PLS-SEM	Partial least squares SEM
RBV	Resource-based View
SPSS	Statistical Package for the Social Sciences
SRMR	Standardised root mean square residual
SEM	Structural equation modelling

TMB Telekom Malaysia Berhad

VIF Various inflation factor

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# KESAN NILAI TERAS TERHADAP REPUTASI ORGANISASI: REPUTASI MEDIA SOSIAL SEBAGAI PERANTARA

## ABSTRAK

Dalam dunia perniagaan hari ini, reputasi organisasi menjadi semakin penting, terutamanya bagi organisasi yang terkenal dan telah lama ditubuhkan, kerana perniagaan dibina berdasarkan reputasi. Walau bagaimanapun, peningkatan media sosial, yang membolehkan komunikasi global dengan cepat, menjadikannya lebih sukar bagi organisasi untuk mengurus reputasi mereka di pasaran. Kesan daripada peningkatan dramatik dalam penggunaan media sosial di dunia hari ini, reputasi organisasi boleh musnah dalam jangka masa pendek iaitu hanya dalam beberapa jam atau minit. Ini merupakan cabaran besar bagi organisasi untuk melindungi dan mengekalkan reputasi mereka kerana kemusnahan kepada reputasi organisasi boleh mengakibatkan kehilangan kepercayaan pemegang saham, keyakinan pengguna dan hasil keuntungan yang akan menjejaskan prestasi mereka serta kehilangan daya saing mereka. Syarikat tersenarai awam (PLC) di Bursa Malaysia juga tidak dapat lari daripada risiko reputasi ini kerana media sosial telah muncul sebagai platform penting untuk penglibatan awam dan amplifikasi di kalangan rakyat Malaysia. Reputasi berasal daripada nilai teras kerana identiti dan nilai teras organisasi adalah asas untuk reputasi positif. Oleh itu, organisasi mesti mempertimbangkan nilai teras pembolehkan media sosial seperti ketelusan (*transparency*), kepercayaan (*trust*), penglibatan (*engagement*) dan keaslian (*authenticity*) yang boleh menjejaskan reputasi mereka. Rangka kajian ini dibentuk berdasarkan Teori Asas Sumber (*Resource-Based View Theory*) untuk kajian lebih lanjut. Kaedah kuantitatif digunakan untuk mencapai objektif kajian. Penyelidikan ini mengkaji hubungan antara penggunaan media sosial



sebagai pembolehubah anteseden, nilai teras ketelusan, kepercayaan, penglibatan dan kepercayaan sebagai pembolehubah bebas (*independent variables*) dan reputasi organisasi sebagai pembolehubah bersandar (*dependent variable*). Kajian ini juga menilai kesan pengantaraan (*mediating variable*) reputasi media sosial terhadap hubungan antara nilai teras dan reputasi organisasi. Data dikumpul menggunakan tinjauan keratan rentas, di mana 212 respon daripada syarikat tersenarai awam (PLC) diterima, dan hanya 206 respon yang sah sebagai sampel. Kaedah persampelan bertujuan digunakan untuk menentukan sampel kajian. Model penyelidikan ini dianalisis menggunakan teknik 'partial least square structural equation.' Manakala perisian SPSS dan SmartPLS 3.2.6 digunakan untuk mengesahkan model kajian dan hipotesis kajian yang dicadangkan. Penemuan daripada kajian itu mengesahkan bahawa penggunaan media sosial mempunyai kesan positif dan signifikan terhadap nilai teras dan reputasi organisasi. Antara empat nilai teras yang diterokai dalam kajian ini, hanya ketelusan dan kepercayaan yang positif dan signifikan yang memberi kesan kepada reputasi organisasi. Mengenai reputasi media sosial, hanya ketelusan dan penglibatan yang positif dan signifikan. Bagi pengantara reputasi media sosial, hanya ketelusan dan penglibatan yang secara positif menjadi pengantara hubungan antara nilai teras dan reputasi organisasi. Sumbangan kepada teori dan praktikal mampu menjelaskan implikasi penyelidikan kepada peringkat yang berbeza, seperti kepada organisasi dan pekerja. Batasan kajian ini telah dibincangkan, dan cadangan untuk penyelidikan masa depan mengenai penambahbaikan reputasi dan pembolehubah organisasi di kalangan syarikat tersenarai awam (PLC).

**THE EFFECTS OF CORE VALUES TOWARDS THE ORGANISATION**  
**REPUTATION: THE MEDIATOR ROLE OF**  
**SOCIAL MEDIA REPUTATION**

**ABSTRACT**

In today's business world, the reputation of the organisation is becoming increasingly important, especially for well-known and well-established organizations, since business is built on reputation. However, the rise of social media, which enables instantaneous global communications, makes it more difficult for organizations to manage their reputation in the marketplace. It is a significant challenge for organizations to protect and maintain their reputation since damage to the reputation of the organisation may result in the loss of shareholder trust, consumer confidence, and revenue loss which affects their performance and loss of their competitiveness. Reputation derives from core values because an organisation's identity and core values are the foundation for a positive reputation. Thus, organizations must consider the core values of social media variables such as transparency, trust, engagement, and authenticity that affect their reputation. Drawing upon the Resource-Based View (RBV) Theory, a conceptual framework is developed for further investigation. A quantitative approach was employed to achieve the objectives of the study. This study examined the relationships between social media usage as the antecedent variable, core values of transparency, trust, engagement, and trust as the independent variables and the reputation of the organisation as the dependent variable. The study also assessed the mediating effect of the reputation of social media on the relationships between core values and the reputation of the organisation. Data were collected using a cross-

sectional survey, whereby 212 responses from the PLCs were received, and only 206 responses were valid as samples. The purposive sampling method was employed to determine the sample of the study. The research model was analysed using partial least square structural equation modelling. Meanwhile, SPSS software and SmartPLS 3.3.5 was used to validate the research model and the proposed hypotheses of the study. The findings from the study confirmed that social media usage has positive and significant impacts on the core values and the reputation of the organisation. Among the four core values explored in this study, only transparency and trust positively and significantly impact the reputation of the organisation. Regarding the reputation of social media, only transparency and engagement were positive and significant. As for the mediator of the reputation of social media, only transparency and engagement have positively mediated the relationships between core values and the reputation of the organisation. Theoretical and practical contributions explained the implications of research to different levels, such as to the organizations and employees. The limitations of this study were discussed, and recommendations for future research concerning the improvisation of the reputation of the organisation and variables amongst the PLCs.

# **CHAPTER 1 INTRODUCTION**

## **1.1 Introduction**

Chapter One provides an overview of the study on the influence of social media usage, core values, and reputation of social media on the reputation of the organisation, representing an original contribution to the body of knowledge. It emphasises the problem statement and the justification for conducting the study. Investigating the issues studied and the methodology used in this study helps identify research gaps. This chapter continues by discussing the purpose of this study, along with the research questions and objectives that emerged from a thorough review of the literature on the subject of constructs. After that came the analysis of the study's significance and overall scope. In order to develop an understanding of the concepts and terminology utilised in the research, this chapter comes to a close by defining the key terms.

## **1.2 Background of Study**

The reputation of the organisation is an important strategic resource because it affects how the various stakeholders behave (Brenneke, Isaak, & Lentz, 2022). The fundamental essence of reputation lies in the interconnectedness between an organisation and the views held by its stakeholders (Qian, Parker, & Zhu, 2023). The construction of these impressions is influenced by a combination of events, interactions, and information that stakeholders acquire via several points of contact with the organisation (Aké & Boiral, 2023). Kim, Kim, and Rhee (2021) study offered

empirical proof of the interdependence between reputation and performance. It emphasises the strategic need for organisations to engage in reputation management actively. By implementing such a strategic approach, organisations can methodically foster the intended perception and standing that are in accordance with their goals and resonate with their various stakeholders (Berrone, Rousseau, Ricart, Brito, & Giuliadori, 2023).

The importance of a strong organisational reputation becomes apparent when it engenders broad satisfaction among many stakeholders, including workers, customers, and shareholders (Samson & Swink, 2023). The satisfaction experienced by individuals is derived from the extensive effects of a robust reputation, which serves to attract new consumers and reinforce the loyalty of current ones (Kamal et al., 2022). Moreover, the appeal of a reputable image extends to the recruitment and retention of skilled individuals, providing the organisation with a competitive advantage in attracting and retaining excellent personnel (Manoharan, Scott-Young, & McDonnell, 2023). Furthermore, the fearsome reputation of an organisation creates a significant obstacle for prospective rivals, as it strengthens the organisation's position and perceived worth in the market. This notion is emphasised by Szwajca (2018). As a result, a favourable reputation arises as a complex strategic resource that yields several advantages across different aspects of organisational achievement.

Building a good reputation takes time and is very valuable. Mr. Warren Buffet's most famous quote is, "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you will do things differently" (Bacon, 2011). In his observation, it becomes apparent that the reputation of an organisation is not only a fixed asset but rather a fluid entity that is susceptible to significant vulnerability when

confronted with possible harm. This vulnerability highlights the complexities and difficulties associated with doing business in an environment where reputation is a fragile construct, vulnerable to even the smallest blunder or unfavourable occurrence (Kumar & Sharma, 2022). In such a context, it is essential to maintain a heightened level of consciousness about the possible hazards and adopt a proactive stance towards maintaining one's reputation (Zafari, Biggemann, & Garry, 2023).

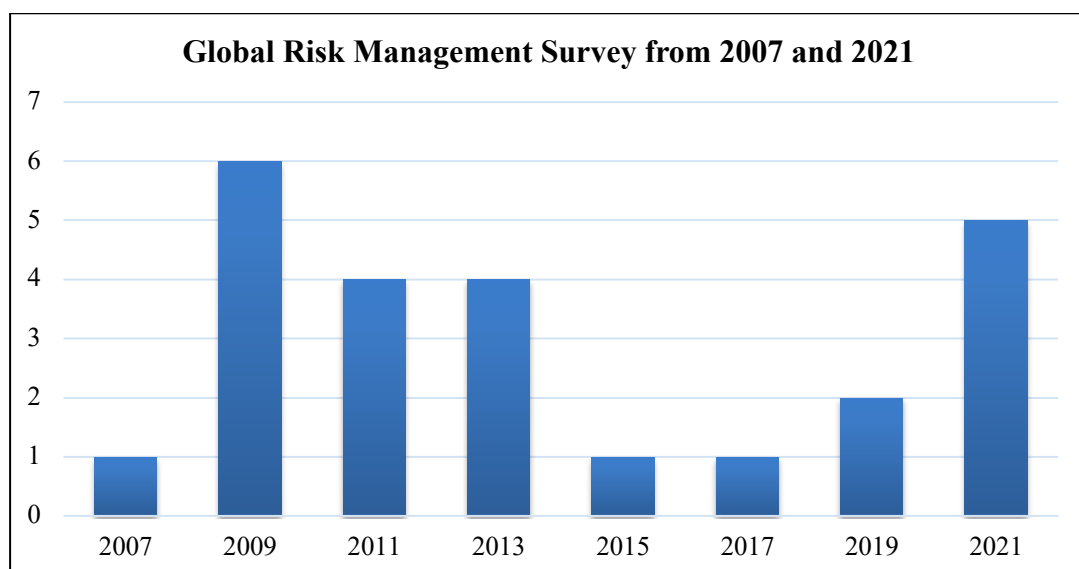
In the contemporary era of global technological interconnectedness, the reputation of an organisation has the potential to be permanently damaged in a matter of minutes, mostly as a result of the rapid and widespread dissemination of information facilitated by various platforms (Heil, 2018). The expeditious proliferation of information, including both favourable and unfavourable content, has engendered a milieu in which the likelihood of harm to one's reputation is intensified (Ioannou, Kassinis, & Papagiannakis, 2023). In light of the increasing dependence on technology for communication and information sharing, it becomes imperative for organisations to adopt a proactive approach in safeguarding and maintaining their reputation (Zhang & Nekmat, 2023). The collaborative endeavour assumes critical importance not only in the prevention of reputation crises but also in the efficient management of such crises, should they occur (Al-Jenaibi, 2023).

Therefore, it is essential for firms to develop and implement strategies aimed at managing their reputation (Hassani & Wilkins, 2022). Griffin (2014) stated, "The business can only act following its purpose and values if there is a reputation strategy that defines how the business should behave and communicate." An organisation not having a reputation strategy can cause it to experience sudden great damage, resulting in it not being able to count on its reputation to generate higher profits (Peng, Xin, &

Xie, 2022). Consequently, the reputation strategy should be applied and practised throughout the organisation regardless of its position (Rosser, Ilgenstein, & Sager, 2022). If one of the employees leaves the organisation, the values will remain there. For examples, the development of a comprehensive reputation strategy encompasses the implementation of a crisis management plan, which involves the proactive identification of potential obstacles and the formulation of appropriate solutions aimed at upholding transparency, addressing concerns, and restoring confidence (Al-Jenaibi, 2023).

Generally, organisations with a strong reputation receive more support from their stakeholders, i.e., owners, employees, customers, suppliers, partners, governments, the public, and others, resulting from the exemplary values businesses foster (Varey, 2015). Considering that reputation is widely recognised as the most valuable asset of an organisation (Garanti, Igbudu, Popoola, Vrontis, & Melanthiou, 2022). It consistently proves to be a crucial factor in gaining a competitive advantage (Bintoro, Lutfiani, & Julianingsih, 2023). It becomes essential for any forward-thinking entity to thoroughly explore and fully comprehend the significant implications of reputation within their operational environment (Zafari et al., 2023). Within modern business dynamics, reputation extends beyond a purely abstract notion and manifests as a concrete force capable of significantly influencing an organisation's trajectory (Singh, Abraham, Yadav, Agrawal, & Kolar, 2023). Given this level of awareness, it is essential for organisations to not only recognise but also thoroughly comprehend the diverse and far-reaching consequences of reputation across many spheres of influence (Schultheiß & Lewandowski, 2023).

Based on the AON 2021 Global Risk Management Survey, it is apparent that the preservation of a reputation of the organisation or brand constantly ranks as one of the top 10 issues identified by participants. The ranking, as seen in Figure 1.1, highlights the enduring significance of reputation-related risks in the domain of organisational vulnerabilities. The persistent prevalence of reputation risk as a significant worry is shown by its consistent inclusion among the top six risks from as early as 2007. It is important to acknowledge that the poll conducted in 2021 reveals a decline in the ranking of reputation harm as a significant concern. However, it is crucial to emphasise that this observation does not undermine the seriousness of this particular difficulty. The issue of reputation risk continues to be a significant problem, requiring organisations worldwide to maintain constant vigilance and prioritise strategic efforts. In the ever-changing corporate environment, the task of protecting and improving reputation remains a crucial and consistent endeavour, despite the potential fluctuations in rankings.



Source: AON 2021 Global Risk Management Survey

Figure 1.1 Rankings of Damage to Reputation/Brand



The importance of reputation for Malaysian organisations may not be as significant as for organisations in other countries (Ismail, Ahmadi, Yatim, & Ismail, 2020). However, in recent years, its value has unquestionably increased, primarily due to two major crises: the 1MDB scandal and the troubles encountered by Malaysia Airlines. The occurrence of these twin crises significantly undermined the faith and trust placed in Malaysian organisations, leading to a lasting ripple effect of doubt over their operating practises (Awalluddin, Nooriani, & Maznorbalia, 2022; Shiang, Chibundu, & Wilson, 2021). This lingering uncertainty continues to cast a shadow over the situation. The repercussions of the 1MDB controversy and the challenges encountered by Malaysia Airlines have significantly impacted the perception of stability and integrity, undermining previously held assumptions (Wong, Ganesan, Pitchay, Haron, & Hendayani, 2019). The crises, as mentioned earlier, rather than being limited to historical occurrences, continue to exist as unresolved issues, causing uncertainty and disruption to the fundamental principles governing the perception and operations of organisations in Malaysia (Abu-Hussin, Idris, Yaakop, & Salleh, 2021).

In the current context, Malaysian organisations are faced with a critical juncture that highlights the connection between reputation management and the ubiquitous effect of social media in today's times (Ismail et al., 2020). At this particular point, there is a crucial stage of decision-making when assessing an organisation's susceptibility to reputation risks becomes significantly significant (Pownall, 2019). The use of social media platforms necessitates a heightened awareness of changes in sentiment and their possible consequences on one's reputation due to the immediacy and linked nature of these platforms (Arts, Duckett, Fischer, & Van Der Wal, 2022). At this pivotal moment, organisations must adopt a proactive approach, using the

power of social media to enhance their reputation rather than diminish it (Zhang & Nekmat, 2023). By adopting a proactive strategy, Malaysian organisations can effectively traverse the complex landscape of reputation management while using the influential capabilities of social media to their benefit.

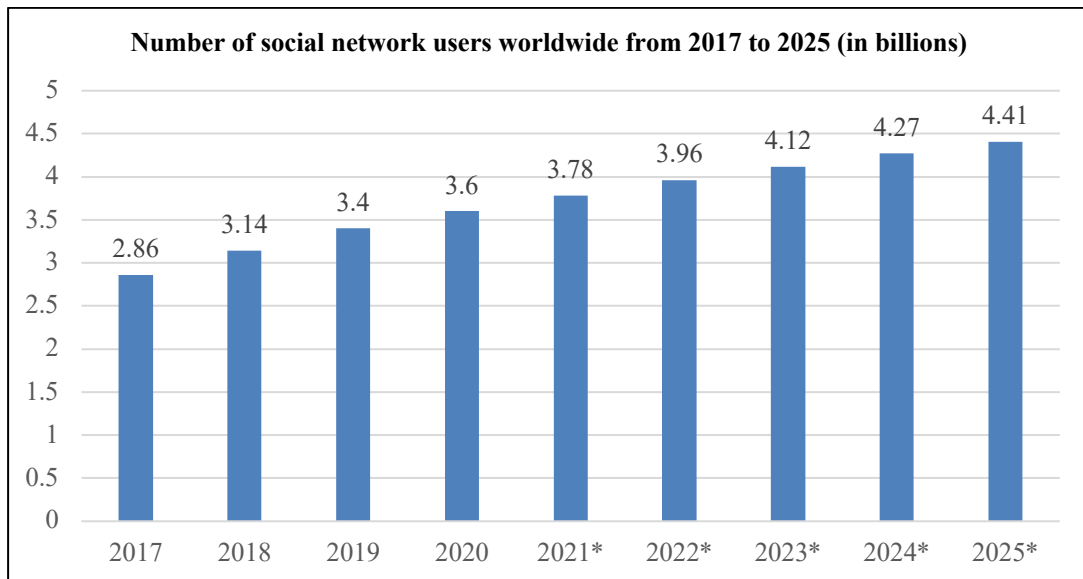
### **1.3 Social Media**

In today's IT world, information can reach further and faster than before due to social media platforms (Nemes & Kiss, 2021). In the contemporary digital environment, various interactive platforms have arisen, allowing users to influence perceptions, express viewpoints, and participate in discussions across many fields (Koohang et al., 2023). Prominently included under this category are various social media platforms such as Facebook, Twitter, LinkedIn, YouTube, Instagram, TikTok, Flickr, Tumblr, and Google+, as well as blogging platforms and wikis (Nau, Quan-Haase, & McCay-Peet, 2022). Social media platforms allow individuals to contribute a wide range of information, including many forms, such as comments, complaints, praises, thought-provoking inquiries, and interactive debates (Quang et al., 2023).

In contemporary society, many consumers tend to consult social media platforms for information about items or services before making purchasing decisions (Suganda & Arrifianti, 2023). Moreover, social media serves as a platform for the exposure of both good and bad activities undertaken by individuals or organisations, reflecting their beliefs and behaviours (Bae, 2023). Social media has changed in a way that fits its prediction about building an honest and strong reputation (Kumlin, 2016). The effect of social media on reputation is significant since it not only affects

individuals' views but also moulds the tangible reality of an entity's position (Tseng, 2023). As a result, the emergence of social media has brought about a significant change, fundamentally transforming the relationship between media and society and, therefore, revolutionising the framework by which reputation management is approached.

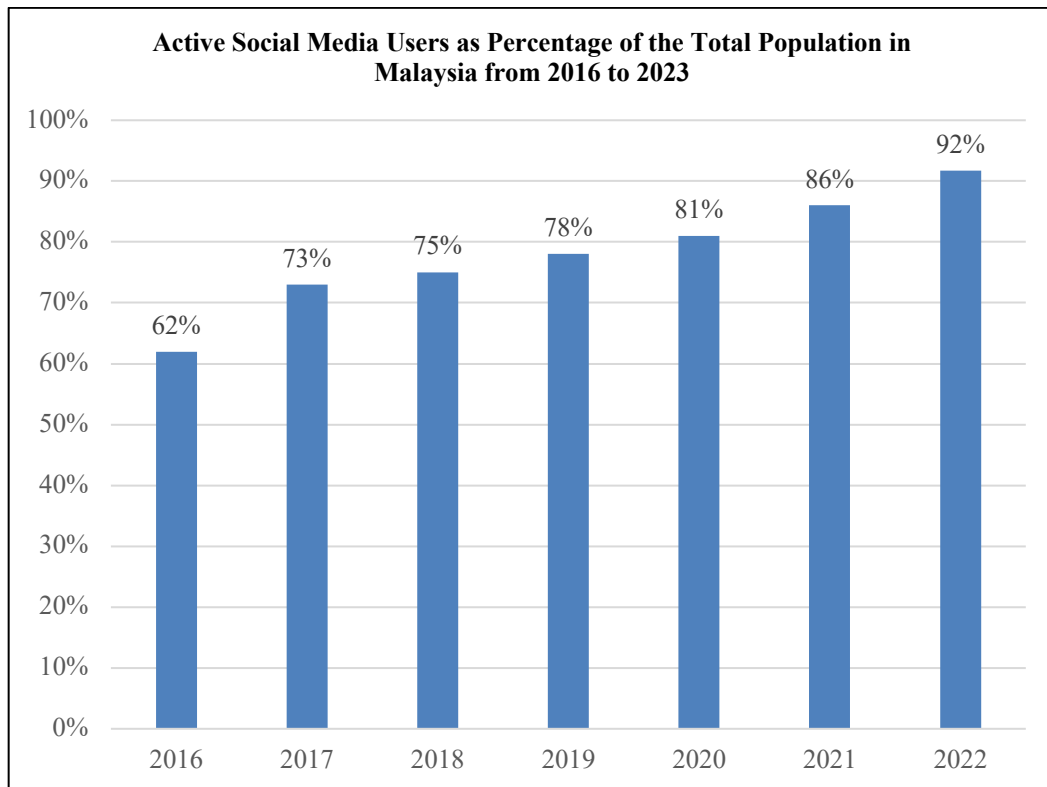
The pervasive use of social media is continuing and is anticipated to undergo additional growth. Figure 1.2 is a detailed research provided by Statista that methodically depicts the worldwide trend of social media users. The report covers the period from 2017 to 2020 and extends its analysis to 2025. The present statistical research highlights the consistent increase in global social media involvement. In 2020, an estimated 3.6 billion users actively engaged in various social media platforms. However, the current growing trend shows no indications of diminishing, as projected estimates anticipate a rise to over 4.41 billion users by the year 2025. The pervasive nature of contemporary communication has transformed it from a mere trend or phenomenon into an essential component, influencing how individuals establish connections, exchange information, and construct their understanding (Morales, 2023). This influence extends beyond limitations imposed by geography and culture.



Source: <https://www.statista.com/>

Figure 1.2 Number of Social Media Users Worldwide from 2017 to 2020 with Projections until 2025

Due to this growth, businesses or organisations have no choice but to adopt social media. As shown in Figure 1.3, according to Statista, approximately 91.7% of the population in Malaysia were active social media users as of December 2022. This information relates to Malaysia. The percentage represented an increase of 24 per cent compared to 2016, when social media users reached approximately 62 per cent of the total population in Malaysia. In 2017, the percentage represented an increase of 24 per cent. The world as a whole, as well as Malaysia, is exhibiting growth trends. The observed trend clearly indicates that social media has beyond its initial role as a simple digital leisure activity and has instead become a pervasive instrument for fostering connections, welcomed by individuals from many demographic backgrounds .



Source: <https://www.statista.com/>

Figure 1.3 Social Media Users as a Percentage of the Total Population in Malaysia 2021

#### 1.4 Social Media and Organisations

For organisations, research conducted by Statista indicates a notable alteration in the social media practises of Fortune 500 corporations in 2023, as seen in Table 1.1. The frequency of their posts on Instagram had a notable increase of 200%. Furthermore, these corporations have used video content as a strategic approach, as seen by the significant surge of 133% in Instagram video postings. Interestingly, despite the substantial growth in posting activity, the degree of user interaction showed a relatively moderate increase, amounting to a mere nine per cent. On the other hand, the patterns of interaction seen on Twitter presented a contrasting perspective. The level of user interaction with Twitter tweets significantly increased by 263%. Twitter

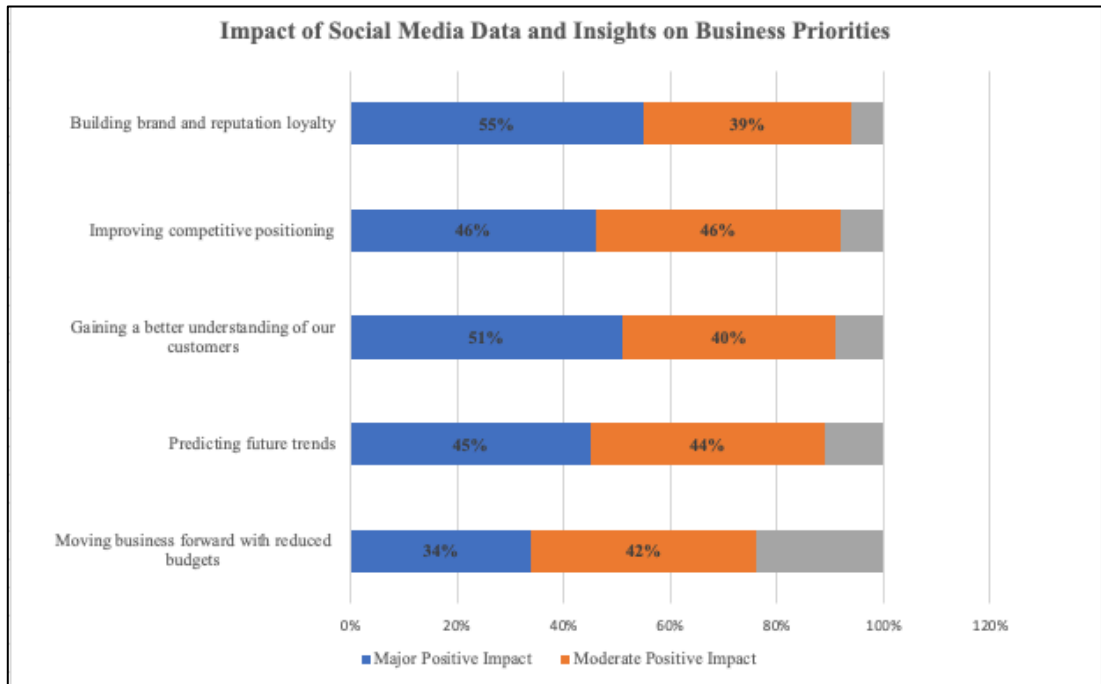
also saw an increase in posting activity by 17% and video material by 22%. It indicates that while Fortune 500 firms expanded their presence on both platforms, the user interaction on Twitter was more notable.

Table 1.1 Types of Social Media Activities of Fortune 500 Companies in 2023

Social Media Activities	Instagram	Facebook	Twitter	YouTube
Increase in posts	200%	16%	17%	
Increase in videos	133%	27%	22%	77%
Increase in engagement	9%	10%	263%	81%

Source: <https://www.statista.com/>

Thus, in this fast-paced digital world where almost everyone has access to social media, incidents that undermine the reputation of the organisation can quickly lead to reputation loss and a loss of competitiveness. Organisational leaders must identify these risks. According to Aula and Heinonen (2016), the reputation of the organisation is built on its behaviour, which is amplified by social media. Since the advent of social media, the value impact of reputation events has more than doubled (Pretty, 2018). Therefore, understanding social media's role is crucial. Due to the growing importance of social media, organisations have increasingly relied on social media regarding their business activities. It is supported in Figure 1.4 shows that building brand and reputation loyalty is the most important impact on top business priorities, according to the 2023 State of Social Media report by sproutsocial.com. Consequently, the use of social media could be compensating and challenging at the same time (Ahmad, 2016).



Source: <https://sproutsocial.com/insights/social-media-data-collection/>

Figure 1.4 Impact of Social Media Data and Insights on Business Priorities

The reputation of the organisation is increasingly important, given the growth of social media within Industry 4.0. Immediacy, interactivity, and transparency are some of the functions and features that attract businesses and organisations to use social media (Aguenza, Al-Kassem, & Som, 2012). According to the Business Statistics Archives website, 75% of marketers in 2022 said that their social media marketing efforts led to increased traffic. They can retain or attract new customers to enhance their reputation and utilise social media to expand their business activities and reputation (Kinzey, 2010). Organisations, for example, can use social media to expand their marketing opportunities and attract investors who invest more in organisations with good reputations because they believe these organisations will provide them with good returns. (Aula & Heinonen, 2016).

The use of social media is rapidly becoming an essential tool for organisations, and these organisations increasingly rely on it for their engagement activities (Benthaus, Risius, & Beck, 2016). Monitoring (Hanna, Rohm, & Crittenden, 2011), analysing (Benthaus et al., 2016), and controlling (Aula & Heinonen, 2016) are some of the related activities. In addition, people are increasingly relying on social media, although sometimes the information or content needs to be more appropriate. Organisations also stay in this. The message could sometimes contain defamatory statements or inappropriate language to offend other users (Hausmann & Williams, 2014). Therefore, social media content itself causes an extensive range of risks, such as information loss regarding quality, content control, privacy, out-of-date information, and disclosure of confidential information (Hausmann & Williams, 2014), which could heavily cause damage to the reputation of the organisation.

In contrast to conventional forms of media, which are frequently curated and screened by gatekeepers before reaching their intended audience, social media operate differently. In this context, filters in information are often absent, rendering it vulnerable to disorganisation, incompleteness, inaccuracy, or obsolescence, as highlighted by Flanagin and Metzger (2008). The unfiltered nature of material on social media platforms directly results from its decentralised structure, allowing anyone to publish information without needing conventional editorial assessments. The current era emphasises the need for prompt access to information, driven by the instantaneous and current aspect that characterises social media platforms (Hausmann & Williams, 2014). The rapid dissemination of information aligns with the public's need for promptness and pertinence.



Consequently, organisations that fail to maintain regular updates on their social media platforms, particularly in times of crisis, are more susceptible to public scrutiny. The unfiltered nature of social media provides a dual role, offering advantages and disadvantages. On one hand, it functions as a medium for disseminating information. On the other hand, it also exposes a vulnerability to disinformation or obsolete material spreading. In this specific setting, organisations need to recognise the significant influence of social media in forming public opinions and disseminating information, especially at crucial moments. Organisations may effectively satisfy audience expectations and negotiate the ever-changing digital communication landscape by actively and consistently maintaining a presence on social media platforms.

In the current context, preserving and fostering an organisation's reputation is a significant and daunting undertaking, especially given the increasing impact of social media. The dynamic nature of the landscape has necessitated a paradigm change in the field of reputation management since a growing multitude of people are now actively involved in moulding the perception of an organisation. Consequently, the rate at which reputation evolves has accelerated significantly, primarily due to the dynamic characteristics of online interactions and the quick distribution of information. The dominance of conventional ways of communication has been challenged, as Gryphon (2014) emphasised. The seismic influence of social media necessitates a restructuring of tactics, whereby proactive involvement, immediate reactivity, and a profound understanding of public opinions become paramount in a comprehensive strategy for managing reputation.

Social media plays a significant role in establishing and defending the reputation of the organisation in the current digital era. At the start of 2023, about 96.8 per cent of Malaysia's 33.03 million people were online. During the same period, about 78.5 per cent of the country's population, or 26.8 million people, regularly used social media. In addition, Malaysian individuals allocate around 3 hours daily to engage with social media platforms, a seemingly modest duration, but accumulates to more than 20 hours a week (Association Malaysia Digital, 2023). This figure shows how important it is for organisations to tap into this vast potential market of consumers in social media and present themselves properly with a good reputation. According to Neil Meikle, associate director of PwC Consulting Services Malaysia, Malaysian businesses would face too many risks if they were not on social media (Isentia, 2016).

Today, social media, especially Twitter, Facebook, and blogs, can be annoying or tedious, especially for organisations. Sometimes, their activities are too easily exposed on these social media sites. Moreover, sometimes, not-so-true or half-truths and unverified news harm these organisations more than reasonable. Therefore, organisations need to participate appropriately in social media in the current situation.

### **1.5 Scenarios of Reputation Affected Some of the Public-Listed Companies in Malaysia**

Many examples concerning social media involved Malaysian organisations in the past. The most famous story was in 2014 when the world had exceptionally looked to Malaysia as tragedy struck our nation's airlines, i.e., Malaysia Airlines and AirAsia, in March, July, and December 2014. Khazanah Nasional Berhad owns Malaysia

Airlines, and AirAsia is a low-cost Malaysian airline owned by Malaysian tycoon Tony Fernandes. The first incident was when flight MH370 disappeared without a trace in March 2014, leaving 239 people missing and currently being deemed dead by the Malaysian government (Gibson, 2014). The second incident was on July 17, a missile reportedly shot down Flight MH17 over war-torn Eastern Ukraine, killing all 298 people on board. Until today, Malaysia Airlines has faced an unprecedented challenge to rebuild its reputation following the two back-to-back crises (Gibson, 2014). The third incident occurred on December 28, when AirAsia Flight QZ8501 crashed into the Java Sea off the coast of Borneo shortly after takeoff, killing all 155 passengers and seven crew members. ("Flight QZ8501: What we know about the AirAsia Plane Crash," 2015).

Nevertheless, how Malaysia Airlines and AirAsia handled the crises were very different. Malaysia Airlines was criticised for not being transparent enough, lacking urgency in the initial hours, and sharing incorrect information following the disappearance of flight MH370 ("Crisis Management Lessons: How Two Asian Airlines Responded to Disasters," 2014). Pownall (2014) observed that Malaysia Airlines' social media accounts were updated for the first time several hours after the incident and an hour after its first official statement. The social media accounts were only updated once their 'offline' statements were issued. However, Malaysia Airlines had learnt from its mistakes when the second incident took place (Shearman, 2017). When the incident occurred, AirAsia immediately took to social media and provided frequent updates about the events unfolding. At the same time, the airline changed the signature red colour of its logo to grey across its website and various social media platforms (Kozłowska, 2014).

Another example of the successful use of social media was Telekom Malaysia Berhad (TMB), when one of its services, HyppTV, experienced a 24-hour disruption in 2016. Their customer service hotline and social media platforms were inundated with irritated and frustrated users. Encik Amin Ashaari, TMB's social media manager, told The Establishment Post that TMB responded by interacting with its customers via its social media pages. TMB apologised and went to great lengths to communicate during the incident with a picture of a cat (since TMB's customers on social media like cats). Many dissatisfied customers have turned around and thanked TMB for its efforts via tweets and messages. In this incident, the authentic, transparent, and human touch were the keys to handling the customers via social media (Isentia, 2016).

Another good example of the effect of social media was the KFC scandal in February 2012, where there was a fight between a customer and the staff of KFC at an outlet in i-City, Shah Alam. An eyewitness uploaded a video of the fight on YouTube social media, which went viral and prompted chaos. The story was spread to other social media channels like Facebook and online news portals. The viral video on the social media sites could have led to allegations of racism if not for the prompt actions taken by KFC. A few days later, the Deputy President of KFC Malaysia stated on Facebook and apologised to the assaulted victim ("Understanding Reputational Risk," 2013). Table 1.2 describes other organisations' related problems to social media.

Recently, in April 2023, Malaysia Airports Holdings Bhd (MAHB) issued a firm response to the circulation of social media postings alleging a false agreement between the business and another organisation. According to the MAHB, these postings have been identified as presenting inaccurate and deceptive material. MAHB, as a publicly-listed company (PLC) and a government-linked corporation (GLC), prioritises

adherence to rigorous governance norms. Given the possible detrimental consequences of disinformation, the MAHB organisation has explicitly stated its readiness to use appropriate legal actions to protect its name. The impetus for issuing this explanation stemmed from social media postings disseminating information about the purported commercial arrangement between MAHB and another corporate entity. Dissemination of deceptive information had a discernible impact on the organisation's financial performance, leading to a decrease of 1.8% in its stock valuation (TheEdge Malaysia, 2023).

There are many other examples, but these are only a few. The above examples worsen the issue when the scandals involve public-listed companies (PLCs) and social media (Shamsuddin, Zainal, Baharudin, Bakre, & Shuhaimi, 2016).

Table 1.2 Incidents Related to Social Media in Malaysian Companies

<b>Organisation's Name</b>	<b>Year</b>	<b>Incident Description</b>
<b>McDonald Malaysia</b>	2017-2018	The social media user had called for a boycott of its fast-food chain. McDonald's had expressed disappointment and assured Malaysian consumers that they were not channelling funds to Israel.
<b>Petroliam Nasional Berhad (Petronas)</b>	2017	There was another allegation or false claim made on social media about its fuel pumps dispensing less petrol than what has been paid. Petronas has denied it and came out with a statement that the problem was with the rate of dispensing. According to Petronas, the problem has been rectified; this was an isolated case of a technical glitch.
<b>Petroliam Nasional Berhad (Petronas)</b>	2016	There was an allegation circulating on social media that it would release gas and toxic substances due to a plant shutdown. This allegation caused unnecessary panic amongst the people living in Paka and Kerteh, where Petronas plants existed. Petronas East Coast Region communications and media manager Zamri Mohamad stated

		that the company had issued a stop to the spreading of the message over Facebook and Whatsapp since the message was false (Bernama, 2016)
<b>Telekom Malaysia Berhad (TMB)</b>	2015	TMB issued an official alert about the fake Facebook, social media accounts, and websites that had disguised themselves as official TM channels by responding to customers in such a rude manner (“Don’t Be Fooled: TM Warns Of Fake TM Social Media Accounts,” 2015)

## 1.6 Public-Listed Companies and Social Media

As a result of the development of the Internet and information technology, traditional media channels have been gradually replaced by social media platforms as a source of information for investors (Wu, 2019). Consequently, providing and consuming information in the capital market is no longer a one-way process of "producer-communicator-users" but rather an interactive process (Blankespoor, Miller, & White, 2014; Kipp, Zhang, & Tadesse, 2019). Investors are encouraged to pay attention to the information published by listed firms and even provide listed companies with additional details and comments on specific issues to voice their opinions (Zhou, Ye, Lan, & Jiang, 2021). Therefore, social media is an alternative medium for investors in these emerging markets.

Fombrun and Van Riel (1997) stressed that a good reputation of the organisation would enhance profitability because it would attract customers to products, investors to securities, and employees to do their jobs properly. However, the widespread use of social media raises the impact of reputation events and significantly raises the reputation risk of a publicly listed company. Such negative feedback affects the reputation of organisations and generates negative perceptions of their brands and products, thus reducing the profitability of their shares. If a publicly listed company is

found to have violated regulations, the organisation may receive increased attention on social media (Zhou et al., 2021).

As a result of social media, the investment community can more easily share and digest information because alternative data is gaining widespread among investors. For example, approximately 80% of global institutional investors use social media, with over 30% agreeing that the information provided directly influences their investment decisions (MIRA, 2019). Thus, public-listed companies must examine how to utilise social media to manage their relationship with investors.

Social media has become an increasingly important engagement and amplification platform because of its reach and popularity among the Malaysian public (Zhou, Ye, Lan, & Jiang, 2021). More and more organisations have been actively leveraging social media to raise awareness, specifically on Facebook, LinkedIn, Twitter, and Instagram. Social media also has been a platform for disseminating or providing recent news or updates to investors. It has been the most crucial platform for investors to make investment decisions on stock and digital assets markets (Said, 2022). Consequently, it is a more direct indicator of investors' interest in a publicly listed company because of social media.

## **1.7 Problem Statement**

In today's business world, reputation is becoming critical, especially for well-known and established organisations, because business is built on reputation (Eckert, 2017; Pandey, Singh, Gunasekaran, & Kaushik, 2020). In a survey conducted by Global Management Risk 2019, for 2022, damage to reputation and brand and

cyberattacks have consistently held their high rankings in the organisations (Deloitte, 2020). In this survey, 2,672 risk decision-makers participated, representing 33 industry sectors and 60 countries worldwide.

There was an increase in Internet users in Malaysia from 87.4 per cent in 2018 to 88.7 per cent in 2020 for online content sharing, such as text communication (98 per cent); social media (93 per cent); voice (87 per cent); music (65 per cent); and financial transaction (64 per cent) (Internet Users Survey, 2020). This Internet user growth concluded that the more organisations are exposed to digital technologies, the more they arrive at an explosion of fake news, scams, cyber-bullying and content-related online criminal activities (Kamiya, Kang, Kim, Milidonis, & Stulz, 2021).

Further analysis of results reported that 50 per cent more organisations were highly effective at using digital technologies for large-scale implementation of business communication during the movement control order (MCO). According to the findings from Deloitte's Global Risk Management Survey in 2020, the threats of cyberattacks have grown, with many employees working at home due to the Coronavirus (COVID-19) pandemic. Van de Poel (2020) proposes that establishing and cultivating core values inside an organisation can mitigate the occurrence of cyberattacks by fostering a culture and environment that discourages such malicious activities. Furthermore, there is an increasing trend towards enhancing its resilience against cyberattacks.

This study involved PLCs in Malaysia from various sectors, such as construction, consumer products and services, energy, financial services, health care, transportation logistics and utilities. PLCs tend to have a high reputational risk as this



would affect their share prices. PLCs in Malaysia received much pressure from stakeholders as there is a high expectation on how they manage their companies, primarily in the area of organisation's cybersecurity. In PLCs, reputation concerns the perceptions with which various stakeholders view an organisation. Thus, the PLCs must position themselves in its environment regarding society's trust in the organisation and possibly being granted the project from the government.

Demand for a proper risk management framework among PLCs in Malaysia is higher since risk management is compulsory for PLCs in Bursa Malaysia Listing Requirement and Malaysian Code on Corporate Governance (MCCG). Additionally, electronic communication between PLCs and regulators and between a PLC and its members was expressly recognised under the Companies Act 2016 when it came into force in 2017. Malaysian Code on Corporate Governance 2017 (expanding on the earlier 2012 Code's recommendation for better engagement with shareholders) recommended that companies should have more meaningful communications with shareholders, highlighting that companies should use various modes of communication, including "the use of electronic means (website, social media, etc.)."

Given the impact of reputational loss and competitiveness on PLCs, the advancements in technology through social media have also impacted the reputation of the organisation, albeit positively or negatively (Aula & Heinonen, 2016; Leonardi & Vaast, 2017; Syed, 2018). Social media can introduce reputation threats in organisations, making them more dynamic, given their growth and adoption. Thus, it often presents more significant organisational problems, such as spreading disparaging or false information (Leonardi & Vaast, 2017; Syed, 2018; Thakur et al., 2019). Critics

have also argued that social media provides a communication tool to its stakeholders, but the risks involved the cyberattacks on these platforms (Shamsuddin et al., 2016).

Indeed, the reputation of the PLCs is a significant concern for any business entity, as reputational damage can result in the loss of shareholder trust, consumer confidence, revenue loss, and performance (Gatzert & Schmit, 2016; Kamiyaa et al., 2021; Thakur et al., 2019). Since stakeholders are looking for the truth about the organisation itself in a consistent, trustworthy, and transparent manner, the presence of reputation risk depends not only on the actual situation but also on the perspective of stakeholders regarding the situation (Aula & Heinonen, 2016; Dutot, Galvez, & Versailles, 2016).

Many businesses have incorporated social media into their decision-making processes because it can help the organisation enhance its core values, such as trust, transparency, and engagement. While the efficacy of these core values remains, proactive rather than reactive transparency is required (Aula & Heinonen, 2016). It should inform all the stakeholders before or during a reputation crisis. Lack of transparency negatively impacts the reputation of the organisation (Aula & Heinonen, 2016; Dutot et al., 2016). A few researchers suggested that promoting transparency in organisations can contribute to developing stronger relationships and trust with the stakeholders.

Social media's functions and features make it possible for unfiltered information to be posted online, which makes users more likely to trust the information (Lambret, 2016). Thus, social media establishes trust between stakeholders and PLCs and is a basis for the reputation of the organisation. Researchers claim that social media is an

excellent tool for fostering reputation and trust (Parris, Dapko, Arnold, & Arnold, 2016; Scandizzo et al., 2016; Sobaci, 2016). Trust will eventuate once successfully constructed transparency (Parris et al., 2016). Thus, an organisation should always provide the right information to stakeholders by transparently incorporating such information through social media to build trust (Sobaci, 2016).

Accordingly, stakeholders' opinions are crucial to the reputation of PLCs and the mitigation of threats; therefore, organisations must exercise caution regarding their concerns, attitudes, and beliefs (Phuengrod, Wannapiroon, & Nilsook, 2021). Numerous studies have been undertaken on reputation risk regarding Enterprise Risk Management (ERM), Sponsoring Organisations of Treadway Commission (COSO), ISO31000:2018 Risk Management, and RepTrak™. However, a little attempt was made to quantify stakeholders' human behavioural perspectives from the Resource-Based View (RBV) theory regarding the organisation's reputation, transparency and trust in social media, specifically from the Malaysian PLCs context. It has been suggested that organisations incorporate social media into their strategies for promoting trustworthiness and transparency (Pandey et al., 2020; Syed, 2018).

The RBV theory lacks guidance on effectively managing resources for a competitive edge, especially in dynamic environments, such as social media. This gap is critical in understanding how organizations should strategically handle social media resources for communication and reputation management. Additionally, the RBV theory overlooks variations in individuals' capacities to identify and evaluate resources, emphasizing the importance of instilling core values in employees to mitigate risks and optimize the benefits of social media usage. Aligning core values