Online entrepreneurial communication: Mitigating uncertainty and increasing differentiation via Twitter

Eileen Fischer a,⁎, A. Rebecca Reuber b

a Schulich School of Business, York University, Canada
b Rotman School of Management, University of Toronto, Canada

Abstract

Research shows that some narratives and symbolic actions produced by entrepreneurial firms can help to reduce audience uncertainty about their quality and differentiate them from rivals. But can communications via online social media channels – which we characterize as “communicative streams” – be used to reduce uncertainty and enhance differentiation? This seems debatable, given that such streams comprise multiple, brief messages (a) that encode signals lacking narrative cohesion; (b) are only fleetingly accessible; and (c) are minimally customized. We address this puzzle using qualitative methods to compare the communications enacted by eight firms that are using Twitter in order to pursue growth. Our theoretical contribution rests in positing links between specific types of communicative streams and audience responses that reflect reduced uncertainty or enhanced differentiation. Our analysis suggests that firms enacting a “Multi-dimensional” communicative stream (which entails a high volume of posts, a high proportion of which signal quality, relational orientation, distinctiveness, and positive affect) are most likely to elicit audience affirmation of firms’ quality and/or distinctiveness. Implications for theory, research methods and practice are discussed.

Keywords:
Social media
Communications
Uncertainty reduction
Differentiation
Firm growth
Twitter
Communicative streams
Narratives
Symbolic actions

1. Executive summary

Two key challenges often face entrepreneurial firms: reducing stakeholder uncertainty regarding the quality of the firm, its management and its products or services; and differentiating the firm from competitors. Recent research has shown that different types of communications, in particular formal narratives such as those conveyed in IPO prospectuses, or symbolic actions, such as those performed during personal interactions with stakeholders, can serve both to reduce uncertainty and to increase perceived differentiation in the eyes of stakeholders. There is, however, a gap in the current literature on entrepreneurial communications. We do not, as yet, know how growth-oriented entrepreneurial firms can use new media channels such as Twitter to reduce uncertainty and enhance differentiation. Our study addresses this gap.

Since research has shown that only some types of formal narratives and some types of symbolic actions are effective for reducing uncertainty and enhancing differentiation, we anticipate that, among the different communicative approaches enacted on channels such as Twitter, only some will have an impact. This leads to the research question we pursue: What kinds of communicative approaches enacted by entrepreneurial firms using Twitter attract audience responses that affirm their quality and their distinctiveness?
To provide a theoretical platform for our work, we develop a conceptual framework that highlights assumptions made about communications in prior research, and that illuminates the inapplicability of some of these assumptions for communications made via a medium such as Twitter. We characterize the type of communication that is possible on Twitter as a “communicative stream,” because each post a firm makes is an element of a larger assemblage that flows over time, such that earlier posts are less accessible to stakeholders as time passes and new posts are added to the stream. Our typology draws attention to the fact that, compared with formal narratives or symbolic actions, communicative streams such as those created on Twitter have the potential to reach a wide audience, but lack narrative cohesion, are low in customizability, and are fleetingly accessible. These insights suggest that we cannot assume that the same types of communication tactics that are effective in other contexts will be available and effective in a medium that fosters communicative streams. Thus there is a need for inductive theory development to understand the approaches that are more versus less effective in contexts where entrepreneurial firms create communicative streams.

We developed relevant theory through a five-month-long qualitative study of eight firms that use Twitter with the explicit goal of pursuing growth. Over this time, we gathered all tweets by each firm (under the firm’s name or that of their employees or owners), as well as all posts by online stakeholders about each firm.

Our analysis of the tweets made by the firms we studied showed that they tended to convey signals corresponding to one or more of three themes: quality, relational orientation, or differentiation. It also revealed that many tweets used positive affect in conveying those signals. By comparing and contrasting the full sets of posts made by the firms in our sample, we identified four distinct types of communicative approaches enacted by firms using Twitter. The first is a “Sparse” communicative stream that simply entails posting very few tweets. The second is a “Distinction-Focused” stream; firms that enact this post a majority of tweets that signal the firm’s distinctiveness by discussing its values, culture and/or unique attributes. The third is a “Quality-Focused” stream; firms enacting this approach primarily post tweets that signal quality by emphasizing the company’s reputation, the expertise of its management team and staff, and/or the quality of its offerings. A final approach we labeled “Multi-dimensional.” Firms enacting a Multi-dimensional approach post a comparatively high volume of tweets, a high proportion of which signal quality, relational orientation, and distinctiveness while also conveying positive affect.

After identifying the distinct approaches that firms take in creating their streams of communications, we analyzed whether any of these approaches were more likely to be associated with stakeholders making posts made about the firm that either affirm its quality or its distinctiveness. This analysis led to the formation of the following theoretical propositions:

**P1.** Entrepreneurial firms that enact a Multi-dimensional communicative stream (entailing a comparatively large volume of tweets, a high proportion of which signal quality, relational orientation and distinctiveness as well as positive affect) are likely to receive higher levels of audience responses that affirm quality than are firms enacting any other type of communicative stream.

**P2.** Entrepreneurial firms that enact a Multi-dimensional communicative stream (entailing a comparatively large volume of tweets, a high proportion of which signal quality, relational orientation and distinctiveness as well as positive affect) are likely to receive higher levels of audience responses that affirm differentiation than are firms enacting any other type of communicative stream.

In an additional step of data analysis intended to start to identify boundary conditions for the proposed relationships, we compared the cases in our sample that have higher versus lower levels of digitization of their offerings. This led to the following additional proposition:

**P3.** The extent to which a firm’s product/service offering is digitized moderates the impact of a firm’s communicative stream with respect to audience responses that affirm quality. Holding constant the type of communicative stream, those competing with product/service offerings of higher digitization are likely to receive high levels of audience responses that affirm quality.

This paper makes three important contributions to our knowledge of communications in entrepreneurial ventures. First, it highlights salient differences between the types of communications that are possible via a medium such as Twitter versus those that are possible when firms craft formal narratives or engage in symbolic action. Media such as Twitter provide opportunities for enacting a stream of communication that lacks the heft and persistence of a unified narrative text, or the targeted and interpersonal nature of symbolic actions. Even so, as our study demonstrates, firms can harness the medium to convey signals of quality, relational orientation, and distinctiveness, and can use it to convey positive affect. This insight should sensitize practitioners both to the commonalities among and the differences between different kinds of communication options they might choose.

Second, we demonstrate that some entrepreneurial firms are more skilled than others in communicating effectively via Twitter, in that they adapt to its unique nature when creating their communicative streams. Whether the knowledge is tacit or explicit, skillful firms appear to understand that a Multi-dimensional communicative stream is more effective than either a uni-dimensional (Differentiation-Focused or Quality-Focused) or a Sparse stream in eliciting audience affirmation of the quality and/or distinctiveness of the firm. This finding is contrary to conventional wisdom that firms conveying quality will be able to elicit stakeholder responses that reflect reduced uncertainty and that firms conveying distinctiveness will be able to elicit stakeholder responses that reflect enhanced differentiation. It implies that a Multi-dimensional approach is necessary for both objectives and this is especially important for practitioners struggling to choose the appropriate content in their social media communications.

Third, our results highlight the participation of outsiders in firm-level communication. Much research concerning entrepreneurial communications neglects the role of stakeholder voices in amplifying or negating the messages that firms craft. Yet it is inherently the case for an interactive medium such as Twitter that stakeholders can contribute to the communicative streams that firms create, in ways that may significantly assist – or undermine – those firms. For practitioners,