



Fake News in the Corporate World: A Rising Threat

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Abstract

Public opinion is used to thinking about fake news as a political phenomenon, a tool used to create dirty propaganda. It is true but it may be only the beginning. The literature is starting to realize that fake news may move from the political arena to the corporate world. If this should happen, fake news would overflow everywhere, making the post-factual society even more real. Fake news may become a dirty tool, used by dishonest companies to strike at their competitors' reputation. The idea is that, till now, fake news has been used primarily for dirty propaganda and, marginally, to make money through the clickbait. However, since clickbait is a very basic approach, what we can expect is a breakthrough of fake news. From clickbait to much more sophisticated technologies and strategies to beat competitors dishonestly or to influence the global financial markets, for instance. A very dark big idea, in this case. It means that, in a post-factual society, even competition in the corporate world can be affected by fake news, fuelled by the abuse of new powerful technologies (*Murgia M. and Kuchler H. 2017*). The consequence is usually a decrease in sales and revenues, with a snowball effect. (*Gupta S. 2016*). Corporate reputation is an intangible as well as valuable asset. What makes it so valuable is that a good reputation can help the company to operate; on the other hand, a sullied reputation makes the company weaker and slower.

Keywords: corporate reputation; fake news; crisis communication.

Introduction

Method

The paper, through a narrative approach, investigates these emerging threat to corporate reputation.

The paper analyses scientific articles from international literature, in English, over last ten years.

We focus the research on a relatively recent period as fake news is basically a recent phenomenon. Or, to say better, the destabilizing effect of fake news is relatively recent.

The review also covers journalistic articles, which report data, insights or simple news, regarding the two subjects of the key questions.

In this case, the paper includes only articles coming from mainstream publications, printed as well as online.

Trying to pursue this objective, we have excluded articles not clearly reporting the name of the publication, author and date of publication.

In addition to that, all the articles have been checked through a web engine search, making sure they have been cited or linked by other mainstream media.

Fake news in the corporate world. A rising threat

Fake news and mass disinformation are techniques massively, and we can say traditionally, used by politicians during electoral campaigns.

In the following paragraphs we report some insights into how fake news may be used also to hit corporate reputation, aiming to weaken competitors or to create financial turmoil, the ideal background for speculation.

Fake news and corporate reputation

Castellani and Berton explain how corporate reputation can be affected by fake news. They also point out its effect in terms of that decline in sales, loss of value shares, image, credibility and trust.

Companies affected by heavy disinformation campaigns have reacted by promoting communication campaigns aimed at informing their stakeholders on their investment choices and underlying motivations in a timely and transparent manner. They tend to promote an integrated information communication through the creation of spots, the organization of conferences with experts, the management of specific portals, the opening of their factories to the public, as Ferrero did. It is a commitment to recovering the decline in stakeholder trust and to defending company's integrity.

If the fake news constitutes an illicit, the enterprise may file a civil or criminal complaint as appropriate (*Castellani, Berton, 2017, P. 7*).

The authors investigate the palm oil issue and how, among others, Ferrero faced it.

On the other hand, as Gathman showed (*see above, 3.1*), the rational approach usually does not work, because users ground their behaviour on different and not rational variables.

That is why the authors say that, first of all, we need to understand the techniques used by manipulators. After this first step, companies, institutions and main stream media, can set up their response to neutralize the effects of fake news.

Nobody has the right answer yet and maybe there is no single answer to do that. We want here only to underline the importance of defining a method and related processes, before answering.

Fake news is a consequence of a Copernican revolution: thanks to it, readers have become more than writers, they are now publishers.

Over the last decade, using tools easily accessible to all, anyone has been able to become a publisher of news, real or fake, and opinion, considered or not. Everyone can broadcast broadly via a variety of channels, most notably social media. This is a major change in the way information is disseminated, consumed, and used in society, and many businesses are still not understanding and responding to its ramifications.

The author explains how fake news in the corporate world can also create damage indirectly, affecting investors for instance.

Investors and funds increasingly are making trades based on sentiment analysis of social media trends, which means business news, fake or real, is generating immediate reaction just as political news, fake or real, does.

Twenty years ago, most people got their sense of the world from network news departments and newspapers that at least nominally followed broadly accepted editorial rules of fairness and objectivity. Consequently, there could be a generally accepted view on what was true, what was not, what was fair game, and what wasn't. There also were generally agreed upon norms that prescribed the terms of partisan engagement or legitimate debate.

Today, there are hundreds of news sites on the internet, many highly partisan with little regard for those rules and norms, as news and opinion are distributed through social media channels with no editorial filter.

The author points out another important aspect of the rise of social media and its use in the corporate world, especially among financial organizations.

In business, this evolution has enabled social and financial shareholder activists, should they choose, to shred management reputations without having to get past the hurdles of editors at The Wall Street Journal or Financial Times. Indeed, using social media and setting up dedicated campaign websites have become standard operating

procedures for activist investors seeking to change or influence management or company strategies, even as Twitter is becoming an increasingly important conduit for financial information, with many companies releasing their results there first. Not surprisingly, activists, such as Bill Ackman at Pershing Square Capital, have used Twitter to launch and conduct lengthy campaigns against companies they have shorted. Ackman's long battle with Herbalife, which he shorted to the tune of \$1 billion, features a Pershing Square website dedicated to accusations against the company and its management, multiple YouTube videos, and a variety of tweets and blogs. Carl Icahn, who amassed more than 325,000 followers since first tweeting about Dell in June 2013, and David Einhorn of Greenlight Capital, who is shorting the hydraulic fracking sector, are others in a long list doing exactly the same.

Companies need to understand that communications tools and rules have changed or risk becoming vulnerable. To control, or at least influence, the narrative about them, all businesses need to up their communications game with shareholders, employees, and the public. In effect, they need to become publishers (*Reilly, 2017* <https://www.prweek.com/article/1426241/business-communicate-age-twitter-fake-news>).

Fake news affects corporate reputation basically in every market. A recent survey has investigated this phenomenon in Italy, with interesting results.

Almost one company in two, had to plan some investments to face fake news and to protect their reputation. In addition, in the last 18 months, 48% of the companies interviewed have had to manage a crisis sparked by fake news (*Centromarca, 2018*).

Case studies

It can be useful to report some companies attacked by fake news or cases of a direct impact of fake news on the corporate world.

Financial organizations, especially if listed, seem particularly sensitive, therefore vulnerable, to fake news.

Unscrupulous parties can now leverage the mechanisms of new media technology and new financial technology to disrupt and distort financial markets on an unprecedented scale by disseminating bad data, fake news, and faulty information into a marketplace that thrives on accurate information.

Lin reports some examples of dissemination of fake news. It includes also hacking, but this has not been taken into consideration by the present paper, as we want to keep the paper focused on fake news, excluding hacking or similar crimes.

With mass misinformation schemes, parties can manipulate the marketplace through fake regulatory filings, fictitious news reports, erroneous data, and hacking.²¹² Because the new financial marketplace is so reliant on interconnected information and communications systems, a distortion to one source of information can have a

large, volatile cascading effect on the greater marketplace in the short run, and a confidence-jarring effect on the greater marketplace in the long run.

It is interesting to see the financial damage estimated by the author.

A successful mass misinformation scheme for a widely held company like Apple, Facebook, or General Electric could have a monetary impact measured in the billions of dollars and affect a significant population of investors since those companies make up large positions in retirement accounts.

And again “in 2015, a man in Bulgaria submitted fake takeover bids for Avon and Rocky Mountain Chocolate via the SEC’s EDGAR electronic filing system to manipulate the stock prices of those companies.²¹⁹ Avon shares rose over 20% because of the false filing and were temporarily halted from trading.²²⁰ Later in 2015, fraudsters created a fake Bloomberg News website to tout a non-existent takeover of Twitter.²²¹ The fake news report caused Twitter shares to increase by 7% before crashing after the hoax was exposed (*Lin T. C. W., 2017, P. 1292, 1293*).

Another relevant example is about Starbucks, when tweets advertising ‘Dreamer Day’, in which the coffee chain would supposedly give out free frappuccinos to undocumented migrants in the US, spread at lightning speed online.

Advertisements including the company’s logo, signature font and pictures of its drinks were circulated with the hashtag ‘#borderfreecoffee’. But it was dreamt up by a hoaxer.

The company tried to chase the incredibly rapid fake news. Starbucks raced to deny the event, replying to individuals on Twitter that it was ‘completely false’ and that people had been ‘completely misinformed’.

Yet the rapid spread of the fake news showed again the power of social platforms to damage reputations, and illustrated how companies are having to be more vigilant and creative in responding.

Snopes, the fact checker, compiles a top 50 of ‘hot’ fake news stories, and in a recent week 12 were about companies (*Kuchler H., 2017* <https://www.ft.com/content/afe1f902-82b6-11e7-94e2-c5b903247afd>).

In other circumstances, hoaxes can affect not only one company but the entire Stock Exchange Index, as happened in Germany at the beginning of June 2018.

A number of German media outlets fell prey to a false news report on Friday, after a satirist claimed on Twitter that Interior Minister Horst Seehofer had pulled the plug on his party’s alliance with Angela Merkel’s Christian Democrats.

The tweet — which came amid a tense row over migration policy that has thrown Merkel’s

conservative bloc into crisis and spread fears of a government collapse — caused the national stock exchange index to fall and briefly sparked discussions in parliament (*Golod V., 2018* <https://www.politico.eu/article/angela-merkel-jittery-germany-duped-by-fake-news/>).

Main findings

The new threats are especially represented by a dishonest (or even criminal) use of new technologies, which allow fake news makers to create more pervasive and dangerous hoaxes.

Unlike “traditional” fake news, text based, the new ones are based on the power of the image (CGI). It is particularly insidious as it is grounded on the general belief that everything you can see is true.

The new generation of fake news may be created for financial speculation, attacking the reputation of companies, financial organisations or even entire industries. Market manipulation may become much easier in the near future.

It is desirable that Governments, main stream media and companies get more aware of the forthcoming second generation fake news, so called deep fake.

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