

Drivers of Information Quality on Blogs: The Case of Business Events

Completed Research Paper

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Abstract

With the exponential growth of online content in general and social media in particular, quality of content has important business implications. Hence, the often heard phrase – “content is king”. While the importance of information quality is well established, the question of what factors drive content quality has received limited attention. In this exploratory study, we seek to understand the drivers of information quality on blogs in the context of business events. We posit that event characteristics (information needs) and firm characteristics (firm visibility) jointly influence blog information quality. Our empirical analysis shows that quality of information is high where information needs are high and mixed results regarding the relationship between information quality of blog content and firm visibility.

Keywords

Information Quality, Blog, Social Media, Social Media Analytics, Mergers and Acquisitions

Introduction

In reference to the merger of Google Inc and Motorola Mobility, on April 11th 2012 an anonymous blogger wrote: “You’d think that by now, google’s \$12.5 billion purchase of motorola mobility (its largest acquisition ever) would be shaping into some sort of brilliant strategy. But you’d be wrong. We’ve heard little about google’s plans since it announced the acquisition in august, other than vague commentary on how the purchase will strengthen google’s patent portfolio.”

From the brief excerpt above, it is clear that the blogger is establishing a link between lack of strategy and the expected success of the Motorola Mobility acquisition. Such an exposition can be valuable to investors. However, not all posts are likely to be relevant and useful. Hence, information quality of user-generated content (UGC) has been an important topic of study (Lu and Yang 2011). Information quality “refers to the quality of content of information exchanged” (Lu and Yang 2011, p. 530). Blog posts that provide quality content provide better information and reduce information-processing costs of readers (Gu et al. 2007). Some studies have investigated the influence of social capital in virtual communities on information quality (Lu and Yang 2011). Few to our knowledge, however, have studied drivers of information quality of blogs in a business context. Our research is an attempt to provide insights that explain the drivers of information quality on blogs that have implications for both theory and practice. Aggarwal et al. (2012) suggest studying blog posts in different business settings amongst others in the context of merger and acquisition events. Our study builds on this idea and choses the event of a merger announcement to explore factors that influence the information quality of blog posts.

Using the business context of a merger-acquisition event, we study the following question: What are the influencing factors that drive information quality of blog posts?

In the next section, we provide a review of the relevant literature, followed by our hypotheses development. Then, we present the study setup, including the description of datasets, methodology and

analysis. We conclude with a discussion of our findings, present limitations and describe potential future research directions.

Blogs and User-Generated Content

Prior research highlights the business value of social media and in particular that of blogs (Luo et al. 2013). Blogs offer a platform for generating UGC “where content (text, pictures, sound files, etc.) is posted on a regular basis and displayed in reverse chronological order” (Schmidt 2007, p. 1409). User-generated content represents “i) content made publicly available over the Internet, ii) which reflects a certain amount of creative effort, and iii) which is created outside of professional routines and practices” (OECD 2007, p. 4). The growth of the internet, the increased availability of blog hosting sites and blog software has propelled the exponential growth of blogs in recent years (Aggarwal and Singh 2013). Similar to other types of social media, blogs contribute to quick generation of content and diffusion of information on the web (Luo et al. 2013).

Information shared on blogs can range from personal diaries to relevant insights into specific topic areas. Silva et al. (2008) provide a comprehensive overview about blog typologies in the literature. Blogs may be used to document one's life, provide commentary and opinions, express deeply felt emotions, articulate ideas through writing, and form and maintain community forums (Nardi et al. 2004).

While they have a lot in common with other platforms of UGC, blogs are different in some respects – there is typically a certain type of expertise expected from the blogger, it is an interactive communication platform with both 1-many (blogger-reader) and many-many (reader-commenter) interactions. In addition, Bloggers may interact with one another, via subscriptions or by joining a blogging, and form a blogger community (i.e. a virtual community or blogosphere) (Chau and Xu 2012). A blogger community facilitates the exchange and spreading of information among bloggers. Bloggers that are well connected gain popularity and influence in the community (Aggarwal et al. 2012).

Blog content is considered by some as unbiased and informative (Johnson and Kaye 2004). Consequently, blogs are viewed as having more credibility than traditional media because of their independent status and because they shed light on topics that may not be adequately covered by the traditional media (Johnson and Kaye 2004). In addition, blogs often provide high information quality in terms of depth and the richness of insights they provide (Johnson and Kaye 2004). An empirical investigation of blogs and traditional media in the context of the U.S. presidential election of 2008 showed that blog coverage has significant influence on the campaign process and the election outcome (Wattal et al. 2010).

In business contexts, blogs are frequently used as an alternative information source (Aggarwal et al. 2012). Several research streams highlight the benefits of blogs for business intelligence purposes (Chau and Xu 2012). In a marketing context, blogs enable companies to acquire information about what people think about their and competitors' products, brands, services, and help firms manage customer relationships (Kozinets et al. 2010).

Studies show that UGC provided by blogs is particularly valuable in the finance domain. For example, blogs serve as a useful source of information for investors. Social media metrics (e.g. volume, valence and dispersion) can serve as an indicator to predict firm equity value compared to traditional online metrics (e.g. web traffic and web search metrics) (Luo et al. 2013). In addition, based on social media metrics blog posts reflect informational uncertainties due to financial market events (Zülch 2013). Furthermore, stock recommendations provided by blogs influence the market reactions (Fotak 2008). However, in general bloggers mainly provide information about stocks of large companies.

Some prior work focused on the influence of UGC provided by blogs in the context of venture financing decisions (Aggarwal et al. 2012; Aggarwal and Singh 2013). Word of mouth from blogs (eWoM) is known to influence venture financing decisions though the mechanism of signaling. In particular, negative eWoM from popular bloggers showed a greater influence on venture financing decisions compared to positive eWoM (Aggarwal and Singh 2013). Nevertheless, eWoM from popular bloggers can support ventures to get higher funding. In addition, after controlling for eWoM, traditional media had no influence on venture financing (Aggarwal and Singh 2013).

Hypotheses Development

The previous section highlights the influence and business value of blogs but drivers of information quality of blogs in business contexts are not explored in previous research. As stated before, blogs are a frequently used information source in business contexts. Accordingly, we chose merger events in order to investigate drivers of information quality of blogs because they represent events of informational uncertainties and trigger information needs for investors.

The U.S. Securities and Exchange Commission (SEC) defines mergers as “business combination transactions involving the combination of two or more companies into a single entity” (SEC 2013). Amongst other motives, mergers are expected to provide economies of scale and scope, to achieve strategic diversification and synergies, and to gain market power (Chakravorty 2012). Mergers, as an event of high stakes for all stakeholders, possess certain characteristics that trigger information needs for investors, potential investors, and business-minded individuals. From the time of announcement of a merger it may take months or even years depending on the circumstances until the final and official completion of the merger is announced. During this time period a merger has to be approved “by at least a majority of a company's shareholders if the merger will have a significant impact on either the acquiring or target company” (SEC 2013) and by regulatory authorities. In addition, the management of either one of the merging companies may withdraw from the transaction.

Financial information and information about the motives of a merger disseminated to market participants is very complex (Loughran and McDonald 2013). This information, when processed by the market, results in price reactions following the announcement (Asquith 1983). A merger represents a situation with information asymmetry and informational uncertainty for investors (Healy and Palepu 2001). Hence, investors or potential investors are incentivized to gather additional information with regards to the effect of such an event on the firms involved in the merger. Investors seek to close the gap of information asymmetry by using a variety of sources of information including blogs to meet their information needs as part of their sense-making process (Herrmann 2007). Here, blogs are a useful information source for investors in order to satisfy information needs and to make sense of the situation at hand. We posit that a greater *information need* in the market is associated with better information quality of blogs to meet this need:

Hypothesis 1 (H1): Event characteristics related to event-specific information needs are positively related to information quality of blog content.

Certain firm characteristics of the companies involved in a merger may influence not only coverage by blogs but also drive the information quality. Market awareness of a firm is influenced by certain factors which determine a *firm's visibility* (Capriotti 2009). We argue that the status of high visibility has resulted in creating high awareness of the firm and this higher level of awareness of the context will drive higher quality content. Hence, we posit:

Hypothesis 2 (H2): Firm characteristics related to a firm's visibility are positively related to information quality of blog content.

By testing the two hypotheses our study aims to explore how event characteristics related to event-specific *information needs* and firm characteristics related to a *firm's visibility* influence the information quality of blog posts.

Empirical Analysis

Data

Sample

To create a sample of merger events we made use of the Reuters SDC Platinum database. In our study we focus on the US market and identified 5,022 merger attempts that took place between 2008 and 2011. In order to ensure data availability of merger transactions and the respective blog coverage, we focused on merger attempts of public companies with a deal value of at least \$100 million (Kau et al. 2008). Our study is focused on the information quality of blog posts following a merger announcement where the

final outcome is known (Bates and Lemmon 2003). As an exploratory study, we further restricted the sample to merger attempts that were announced between 2010 and 2011, leaving us with a sample of 150 merger attempts. An overview of the sample collection is given by table 1.

Query Description	No. of Observations
US merger transactions (between 2008 and 2011)	5,022
Public companies only	640
Deal value is equal or higher \$100 million	323
Deal status is either completed or withdrawn (as of July 2012)	318
Merger announced between 2010 and 2011	159
Data availability	150

Table 1. Sample Selection

Data Collection

In our data collection process we made use of several databases. We used Thomson Reuters Datastream and the Thomson Reuters SDC Platinum database (SDC) in order to collect merger-specific and company-specific data. LexisNexis was used to collect news articles related to companies in our sample. Our blog data was collected from SDL's SM2 platform providing access to historical social media data. SDL is continuously monitoring and crawling social media content that is stored in their SM2 database, which is then typically licensed to corporate users or market analysts.

SDL-SM2 provides several search options and gave us the opportunity to collect blog posts that are related to mergers in our sample. From a research perspective, using a publicly available data source that can be licensed by others has the advantage that our data collection is reproducible. We applied the following Boolean search expression for each merger in order to find relevant blog posts: "name of acquirer" AND "name of the target company", at which the publication date of identified blog posts had to be between the date of announcement of the merger attempt and the date of the final outcome of the merger attempt. We filtered for content written in English and deleted duplicates and results with missing content. In total, we were left with 27,047 blog posts. Table 2 provides a list of the relevant data fields that are provided by SDL-SM2.

Data Field	Description
Author Name	Name of the author
Title	Title of the blog post
Full Content	Content of blog post
Blog URL	URL of the blog
Time Published	Date and time of publication

Table 2. SDL-SM2 – Data Fields

Variables

Dependent Variables (Information Quality)

The information science and information systems literature provides several frameworks in order to assess information quality (Knight and Burn 2005; Wang and Strong 1996). Other social media studies adopted several dimensions from these frameworks in order to assess information quality of UGC (Lu and Yang 2011). We adopt this idea in order to create measures that measure certain dimensions of information quality. Table 3 provides a description of adopted dimensions of information quality that we quantitatively measure for each blog post.

Dimension	Definition
<i>Understandability</i>	extent to which information is easily comprehended
<i>Amount of Information</i>	the quantity of available information
<i>Objectivity</i>	extent to which information is unbiased
<i>Timeliness</i>	extent to which the information is sufficiently up-to-date for the task at hand
<i>Relevance</i>	extent to which information is relevant for the task at hand

Table 3. Dimensions of Information Quality based on Wang and Strong (1996)

In general, every dependent variable is measured for blog posts related to a specific merger attempt. For each merger attempt blog posts published between the date of announcement and the date of the final outcome of the merger (completion or abandonment of the merger) are taken into account.

Readability of UGC: In prior research several metrics have been used in order to assess the readability of textual documents (DuBay 2004). In our study we used the Gunning-Fog Index to measure readability of blog posts, which has been applied frequently in related studies (Ghose and Ipeirotis 2011; Loughran and McDonald 2013). The higher the Gunning-Fog Index of a blog post, the less readable is the blog content. Meaning the Gunning-Fog Index (i.e. readability of UGC) is negatively related to *Understandability* and thus to information quality. For each merger attempt we measure the average readability of blog posts as follows (with complex words being the number of words of three or more syllables):

$$readability = 0.4 \left[\left(\frac{words}{sentences} \right) + 100 \left(\frac{complex\ words}{words} \right) \right] \quad (1)$$

Number of Words of UGC: For each merger attempt we measure the amount of information provided by blogs as the average number of words of blog posts (Mudambi and Schuff 2010).

Objectivity of UGC: Prior UGC studies have assessed the subjectivity of UGC (Ghose and Ipeirotis 2011; Zhang et al. 2012). We use the approach of Zhang and Skiena (2010) in order to build an objectivity measure of blog posts as follows:

$$objectivity = 1 - \left(\frac{number\ of\ negative\ words + number\ of\ positive\ word}{total\ number\ of\ words} \right) \quad (2)$$

We used the General Inquirer (a computer-assisted approach for analyses of textual data that is widely used in content analysis research) in order to obtain the frequency of positive and negative words for each blog post (Stone et al. 1966). For each merger attempt we measure the average objectivity of blog posts.

Timing of UGC: To assess the extent to which the information provided by blog posts is sufficiently up-to-date, we measure the time lapse between the event and the time of publication of blog posts. For each merger attempt we measure the average time lapse between the merger announcement and the occurrence of related blog posts. Higher values of the timing of UGC indicate that blog content is less up-to-date. Meaning timing of UGC is negatively related to *Timeliness* and thus to information quality.

Relevance of UGC: Due to our previously described data collection process we already ensured that the collected blog posts are related to both companies being involved in the merger attempt. Therefore, in order to further assess the extent to which context-specific information (i.e. financial insights related to a merger) is provided by a post we count the frequency of words that match with the Thomson Reuters Financial Glossary (glossary.reuters.com). This glossary contains key terms and definitions used in the financial industry. For each merger attempt we measure the average matches of blog posts with the glossary.

It is important to note that readability of UGC and timing of UGC are expected to be negatively related to information quality while the number of words of UGC, objectivity of UGC and relevance of UGC are expected to be positively related to information quality.

Independent Variables (Event and Firm Characteristics)

In the context of a merger event, several characteristics of the event trigger information needs for investors. Investors have to access whether the merger can meet the announced strategic and synergetic gains (Chakravorty 2012). Evidence concerning the strategic fit of merging firms is the relatedness of their field of business (Goergen and Renneboog 2004). Mergers of unrelated firms have a higher uncertainty concerning the post-merger performance. The transaction value of a merger bears a financial risk for the acquiring company, giving investors reasons to talk about the justification of the value of the transaction (Louis and Sun 2010). The chosen mode of transaction is also a signal for investors (Yook 2003). For example, cash as a chosen method of payment implies confidence with regards to the post-merger performance implying less information needs for investors. On the other hand, stock as a method of payment is preferred by overvalued acquirers implying evaluation uncertainties for investors (Goergen and Renneboog 2004). In the following we present a list of variables by which we measure typical characteristics related to merger events:

Relatedness: We follow the approach of Louis and Sun (2010) and use “a binary variable taking the value of one if the two merging partners are in the same two-digit SIC code and zero otherwise”.

Transaction Value: The transaction value (the total amount of consideration paid by the acquirer) of the announced merger attempt is measured in million USD (Luo 2005).

Method of Payment: In general, in the event of a merger several types of consideration can be offered by the acquirer. Cash, stock, a mixture of both, or other forms of payment may be offered as consideration. We use a binary variable that indicates that the consideration offered in the merger is cash (value of one) or any other form of payment (value of zero) (Yook 2003).

Furthermore, firms that are larger in size attract more attention by market participants and bloggers. In addition, firms that receive higher levels of media coverage are also more likely to attract attention to their business activity (Capriotti 2009). Firms that are related to consumer products, where the visibility of a firm is also increased by advertisements, are more likely to get attention by blogs, especially from blogs that may not be directly focused on the business domain (Capriotti 2009). In the following we present a list of variables (firm characteristics) measured for the acquirer (A) and the target company (T):

Firm Size: As a proxy for the firm size of either the acquirer or the target company we used the enterprise value as of the date of the end of the prior fiscal year before the announcement of the merger attempt (Mantecon 2008). According the Reuters Financial Glossary the enterprise value is obtained by “adding together a company's market capitalization, its debt such as bonds and bank loans, other liabilities such as a pension fund deficit and subtracting liquid assets like cash and investments”.

Media Coverage: For each company involved in a merger attempt in our sample we obtained the number news articles published in The Wall Street Journal and The New York Times citing the name of the respective company. We only took articles into account that were published within one year before the announcement of a respective merger attempt. We created a binary variable taking the value of one if a company is in the top quartile of the number of total citations across companies of our sample and zero otherwise (Pfarrer et al. 2010).

Focus of Business: We used the four-digit SIC code of a company in our sample in order to classify the business model (binary variable) as being either business-to-consumer (value of one) or business-to-business (value of zero) focused.

Table 4 provides an overview of constructs and variables with their respective data source.

Construct		Variable	Abbreviation	Data Source
Information Quality	Understandability	Readability of UGC	REA	SDL-SM2
	Amount of Information	Number of Words of UGC	#Words	SDL-SM2
	Objectivity	Objectivity of UGC	OBJ	SDL-SM2
	Timeliness	Timing of UGC	T	SDL-SM2
	Relevance	Relevance of UGC	RVC	SDL-SM2
Event Characteristics	Information Needs	Relatedness	REL	SDC
		Method of Payment	MOP	SDC
		Transaction Value	TV	SDC
Firm Characteristics	Firm Visibility	Media Coverage	A-MC/T-MC	LexisNexis
		Focus of Business	A-B2C/T-B2C	SDC
		Firm Size	A-FS/T-FS	Datastream

Table 4. Overview of Constructs and Variables

Analysis

To analyze the relationship between each dimension of information quality and the independent variables we use an OLS regression. We use a set of five multiple linear regression models to test our proposed hypotheses. All previously described independent variables are used as predictors for each of the five factors that represent information quality of blog posts. We applied log transformation in order to reduce skewness of continuous variables. Consequently, a residual analysis confirmed the assumptions of normally distributed errors and homoscedasticity for each regression analysis. Furthermore, for each regression analysis, we did not detect any serial correlations between errors (Durbin-Watson test) and an analysis of variance inflation factors provides no evidence of multicollinearity between predictors.

Table 5 provides the descriptive statistics of continuous and binary variables that are included in our analyses.

Variable	Mean	Std. Deviation	N		Min.	Max.
log_REA	1.104	0.152	150		0.716	2.184
log_T	1.415	0.533	150		-0.381	2.617
log_#Words	3.042	0.232	150		2.394	3.6
log_OBJ	-0.032	0.007	150		-0.052	-0.014
log_RVC	-1.295	0.178	150		-1.919	-0.902
log_TV	2.981	0.591	150		2	4.468
log_A-FS	3.957	0.65	150		0	5.353
log_T-FS	2.932	0.702	150		0	4.467
REL	0.700	0.460	0	45		
			1	105		
MOP	0.467	0.501	0	80		
			1	70		
A-MC	0.247	0.433	0	113		
			1	37		
T-MC	0.220	0.416	0	117		
			1	33		
A-B2C	0.367	0.484	0	95		
			1	55		
T-B2C	0.400	0.492	0	90		
			1	60		

Table 5. Descriptive Statistics

Results

Table 6 shows the results of our linear regressions. Overall, all models are significant and explain a significant variation in the dependent variable.

The method of payment (MOP) has a significant influence on all dimensions of information quality. Except in the case of readability (log_Rea), MOP has a negative influence on measures of information quality. Readability of UGC is also negatively influenced by the size of the acquirer (log_A-FS) and positively influenced by the media coverage of the acquirer (A-MC). The transaction value (log_TV) only has a significant positive influence on the objectivity of blog posts (log_OBJ).

The media coverage of target companies (T-MC) has a negative influence on the relevance (log_RVC) and the amount of information (log_#Words) provided by blog content. The amount of information is also influenced by the focus of business of both the acquirer (A-B2C) and the target company (T-B2C). Interestingly, the coefficient of A-B2C is positive whereat the coefficient of T-B2C is negative. However, A-B2C ($p < 0.1$) has a lower significance than T-B2C ($p < 0.05$).

Variable	log_REA	log_T	log_#Words	log_OBJ	log_RVC
(Constant)	1.475(0.088)	0.609(0.322)	2.787(0.154)	-0.035(0.004)	-1.33(0.115)
REL	-0.024(0.024)	0.064(0.088)	0.006(0.042)	0.001(0.001)	0.031(0.032)
MOP	0.101(0.023)***	-0.373(0.085)***	-0.079(0.041)*	-0.003(0.001)***	-0.061(0.03)**
log_TV	-0.016(0.036)	0.209(0.13)	0.058(0.062)	0.003(0.002)*	0.03(0.046)
A-MC	0.118(0.03)***	0.074(0.11)	0.055(0.052)	0.001(0.002)	-0.038(0.039)
T-MC	0.033(0.028)	-0.034(0.101)	-0.081(0.048)*	-0.002(0.001)	-0.06(0.036)*
A-B2C	0.003(0.033)	0.07(0.12)	0.103(0.057)*	0.001(0.002)	0.034(0.043)
T-B2C	0.028(0.033)	-0.184(0.119)	-0.128(0.057)**	-0.002(0.002)	-0.05(0.042)
log_A-FS	-0.116(0.022)***	0.054(0.08)	0.021(0.038)	-0.001(0.001)	-0.029(0.029)
log_T-FS	0.019(0.027)	0.045(0.099)	0.016(0.047)	-0.001(0.001)	0.033(0.035)
R ²	33.00%	27.00%	12.65%	14.06%	16.26%
F Test	7.554***	5.754***	2.252**	2.545***	3.021***

***/**/* means significance at 0.01, 0.05, and 0.10 level, respectively. Standard errors are in parentheses.

Table 6. Estimation Results

Discussion and Conclusions

On the basis of our analysis, we can show that at higher levels of information needs represented by the method of payment increases *Understandability*, the *Amount of Information*, the *Objectivity*, and the *Relevance* of blog posts, showing support for H1. Surprisingly, *Timeliness* decreases (i.e. timing of UGC increases), which may be explained by the fact that at higher levels of information needs it takes longer to assess the complex situation of merger attempts. In addition, information needs represented by the financial magnitude of the merger (i.e. the transaction value) have a marginal positive influence on the *Objectivity* of blog posts. Overall this provides evidence that information needs based on the event - merger characteristics – drive the information quality on blogs.

Our analysis also provides evidence that a firm's visibility drives several factors of information quality on blogs. However H2 is not supported, because no relationship between firm visibility and either *Timeliness* or *Objectivity* was detected. In addition, blog posts related to firms that receive higher levels of media coverage offer a lower *Understandability*, *Amount of Information* and *Relevance*. This indicates that bloggers may focus less on situations where there is adequate coverage in the traditional press outlets. Thus, higher levels of media coverage reduce the amount of information needed and the relevance provided by blog content. This implies that the specialized business/financial media already meet the information needs of investors.

Another interesting finding is that if the acquirer is a consumer-oriented company or when the target is not a consumer-oriented company, a positive impact on the *Amount of Information* provided by blog posts can be observed. Further content analysis is needed to better understand this finding.

Except in the case of *Timeliness* and *Objectivity*, factors representing both of our introduced constructs (*information needs* and *firm visibility*) are driving information quality of blog posts. This bears an important practical implication. For businesses, the information quality of blogs provides indications about market participants' information needs concerning their corporate actions.

Limitations and Further Research

Limitations of our study are, that we did not include other measures to operationalize firm visibility such as the number of analysts following the merging companies and that we did not qualitatively assess the

content of merger-related blog posts. Future research can apply our presented approach to quantitatively measure information quality of UGC to other social media types. Furthermore, it is important to investigate the influence of event- and firm-characteristics in the context of other corporate actions.

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