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# Role of Social Media in Corporate Governance

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## ABSTRACT

*Social media revolution the way people communicate and interact with each other. The impact on commerce, politics and civil society is unquestionable. Business has the opportunity to harness the power of social media to grow and increase revenues by targeting and embracing these new channels. There are multiple reasons for the popularity of social media. It is very convenient because it can be accessed by mobile phone while on the-go. Social media is central to the spread of breaking news to the shaping of opinions because all sides of any story or argument can be expressed and discussed. In the digital age, reliance on top-down, one-way and faceless company communications is outdated. Companies have learnt that it is pointless reacting to what's happening on social media by issuing a traditional press release the following day. The concept of Social media governance is all about understanding the risks which social media poses to one's organisation and having confidence that one could appropriately manage them. Use of social media by people and organisation is increasing rapidly and the potential benefits of a successful social media strategy are significant. But availing the freedom of social media experience within sensible boundaries is a question of the hour. Marketing departments are well aware that social media is the modern word-of-mouth. It is used for launching new products or services, and for the accumulation of customer data which allows companies to target their adverts. Online customer reviews are what really determines success or failure. This feedback is regarded as reliable and authentic, so positive reviews are priceless for companies. Reviews may be in the form of star ratings and appear on comparison websites. The perceived risks of social media need to be kept in perspective because reputational crises already occurred. An effective social media strategy and governance would be of an overall social media assessment, a clear social media strategy, consistent social media policies, an awareness program and professional social media monitoring. If these are well designed, and successfully meshed with data loss prevention, data analysis and end-user protection, the resulting governance enables organizations to leverage their use broadly, helping to lower risk and protect the brand. Ultimately helping the organization and its employees gain valuable insights into customer perceptions of an organization's goods, services and brand. While defining the role of social media in applying good corporate*

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*governance practices and the opportunities it generates in corporations, there are also various new potential challenges associated thereto with the usage of social media. The real time research problem related to this aspect is the kind of unawareness and ignorance corporate personnel have about the consequences of potential challenges in terms of data security, privacy concerns, IT risks and thereby not addressing them promptly and at the earliest. Hence a more holistic and enterprise-wide effective social media governance strategy is needed to tackle this out.*

**Keywords:** *Social media, Corporate Governance, Brand building, Reputation management, IT risk.*

## **I. INTRODUCTION**

Today is an age of social media. Social media networking allows the users to connect and interact with people. Initially it is been used for individual purpose later on the aspects of information sharing and instant responsiveness of social media has find its position in corporate communications. On a general scale social media channel enables the companies in building and promoting their brands, introducing their new products in the market, to learn about their customer base or changing customer preferences. By allowing enhanced transparency and increased interaction between companies and their stakeholders social media has become an adjunct of real-world communication strategies. Of lately social media has gained its importance as an aggregator and distributor of news and information. It also helped in reinventing the relationship between companies, customers, employees, suppliers and regulators and also shortened processes which used to take days or weeks down to just hours or minutes earlier. One section of corporate world is using social media to increase efficiencies in their supply chain, to boost employee morale and improve internal communications. And the other half is using social media to build new models and strengthen their brand, customer loyalty and grow market share. It also often serves as a platform to find and attract the work force that is the best employees available. Social media plays a corporate governance role by shaping the reputational capital of managers and directors, and by shaping shareholders' informational environments. While possessing these many advantages the social media has its own challenges too. Social media quickly build a company's brand but it can also with same speed crush it. Hence only by building a broad and comprehensive approach to social media organizations could realise effective governance. Thereby making effective social media strategy a big deal for the corporate world. An effective social media strategy and governance would be of an overall social media assessment, a clear social media strategy, consistent social media policies, an awareness program and professional social media monitoring. If these are well designed, and

successfully meshed with data loss prevention, data analysis and end-user protection, the resulting governance enables organizations to leverage their use broadly, helping to lower risk and protect the brand. Ultimately helping the organization and its employees gain valuable insights into customer perceptions of an organization's goods, services and brand.

## **II. SOCIAL MEDIA & CORPORATE GOVERNANCE**

Over the years, it so happened that the number of high-profile incidents relating to social media has been on the rise. Many companies are embarking on their social media coverage and increasing making their presence. The social media blunders would range from the humorous to those that have resulted in regulatory fines. At some point even had a negative impact on a company's share price. Companies what they does is that they often advise their clients across the globe on many aspects of social media such as:

- Strategic decision making in implementing Social Collaboration Platforms
- Review of clients' social media
- Social media audits

Companies is now in a stage where they tends to have a pragmatic approach to practice social media governance and for this they start by first assessing current social strategy and understanding how fructifying it is. Then tries to understand the risk associated with social media differ depending on whether focus on external social media channels, internal social collaboration or both. They also help in designing and implementing the elements which make up a well thought out social media governance framework.

A company would generally after understanding its objectives in relation to social media will assess to the areas that is required and then form a full and comprehensive understanding of use of existing processes and identify gaps which need to be addressed. Timely reviews are also made.

Some companies would also hire experts to deploy his/her expertise in all areas of social media so that timely changes can be made within the organisations. A company shall also ensure that the growth of social media should be in such a way that it resonates the success of the business.

Companies are increasingly using social media to communicate with and learn from stakeholders. This is particularly true in case of emerging markets, where companies are more likely to use social media than in many developed countries. Evidence clearly points it out that social media can increase awareness about a company and its products and services, opportunities for more targeted marketing, help gain ideas for new business opportunities,

improve communications with partners in the supply chain, and help companies in learning how existing and potential customers perceive the company's brand and reputation and to monitor their competitors.

A social media strategy and governance plan of an enterprise must be customized and which must be based on unique compliance and reporting requirements. There are no one-size fits-all approach. Social media regulations of three important sector include:

- Financial department

The regulators here consider social media as another form of electronic communication. It serves as a podium in setting out detailed mappings of existing regulations such as filing requirements of any written communication with the context of social media. Firms in such environments understand the new social media regulations thoroughly and implement them through proper social media policies and awareness training of responsible staff.

- Electric, power and utilities

In many countries, power and utilities are often governmental, or pseudo governmental and must comply with regulations and open records laws on issues around rates, the environment, customer education, disaster planning, legal discovery, data archiving and emergency communications.

- Health care

Rules regarding the use of social media in social networking environments often shadow those for medical record-keeping, privacy, training, disclosure and health care warning requirements. In the India, the India Food & Drug Administration, and the Health Insurance Portability and Accountability Act regulate how social media can and should be used. Other rules and laws potentially impacting the use of social media in a health care environment include those regarding discrimination, harassment, medical endorsements, stereotyping and record archiving.

### **III. ROLE OF SOCIAL MEDIA IN DIFFERENT SECTION OF AN ENTERPRISE**

#### **1. Role of social media for the Board of Directors:**

The directors and executives had this assumption that there is a potential impact of social media on marketing, branding, reputation management, and customer outreach. Social media serves as a channel for directors for their skill development, enhanced credibility, Control of legacy, Bolstered reputation.

## 2. Role of social media to Internal Audit Committee:

Internal Audit Committee has the responsibilities and functions as its own. It serves in an oversight capacity and, as such, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. Audit committee can see the comment and post on social media like on face book twitter and will check authenticity of these post and comments.

## 3. Role of social media to Employees for applying good Corporate Governance:

Employees are the backbone of a company any day and any abuse of social media by other media by employees especially when work versus private life can have a detrimental impact on a business and may damage the reputation of that business.

## 4. Role of social media to Government and other Law-Making Agencies:

Since the inception of Indian companies Act 1956 many legislations and new acts to make corporate sector more accountable are added. Now with the inception of using social media by the government make possible to know the bad practices done by the companies

## 5. Role of social media in Protecting Stakeholders:

The main benefits of social media in stakeholder's relations can be summarized as follows. Social Media is a High Return of investment Strategy. Costs for establishing a social media strategy for stakeholder's relations are negligible, as most channels are free of charge and profiles easy to set up. The potential benefits may be unlimited: increased shareholder base, more transparent stakeholders' communications, more relevant feedback from the investment community, and improved brand perception.

## 6. Role in Human resource management

Any Company any day need talented employees to strengthen their business. In order to find the right candidates most of the companies use social media by giving advertisements. Social media networks like LinkedIn help in this cause. Most of the employees are recruited today with the help of the social media platforms.

## **IV. POTENTIAL BENEFITS & CHALLENGES OF SOCIAL MEDIA IN CORPORATION**

Technically speaking social media is so much more than brand awareness. It is great for that but it can also influence marketing and sales funnels, help build brand authority and reputation, inform product development, provide customer service, and more.

It is now easier for businesses to:

- directly target customers with marketing campaigns
- promote new products or services
- build brand awareness
- personally interact with existing and potential customers
- measure referrals from your social media activity to sales

How one manages that platform and engage with what customers are saying is an important part of one's PR strategy. In brief potential opportunities include:

- Brand awareness

The various social media channels like Facebook, Instagram, Twitter etc. helps companies to reach to various users by promoting their brand through advertisements and sponsorships it may help the organization to improve their brand awareness so, that the people who are not aware about these new brands can get in touch with these products.

- Reputation Management

If any customer engages with any brand, then it leads to increase their expectation with that brand and if the organization is not able to satisfy their needs, then it leads to a bad experience for that organization. To handle these situations by promoting and sharing great content is one way a brand can attract people, as well as keep them loyal to the brand. Social media gives us a simple way to achieve that.

- Easier & Faster Communication

Social Media makes communication easier and faster for the customers as it is only one click to contact the customer can easily share their opinion about the products or businesses can also receive, review, and respond to customers' grievances faster and easier than ever before.

- Competitor's Research

Today companies use social media to promote or sell their brand so it's become easy to know that what are the new brands launched in the market and who are the new competitors arise in the market. Also, can keep an eye on our competitors' actions

- Partnering up with social media influencers

Social Media in a way helps to build and maintain a relationship with almost social media influencers. Influencers have emerged as a breed of brand ambassadors who usually use social

media platforms and have a large number of following on social media and draw the attention of that following to your brand. These Influencers also give their reviews to these products which make customers more satisfy to service centre.

While social media engagement confers these many benefits to organisation it also renders challenges. And here are some of them:

- IP and Sensitive Data Are at Risk

Board members and executives concerned about cyber security risks associated with social media should learn how their companies are dealing with the risk of improper release, loss of sensitive information. Also, must evaluate the risk of viruses and malware infecting company networks and systems due to human error, phishing scams, sophisticated attackers, and identity thieves.

- Violation of Compliances

Infringement of trademarks and copyrights, data security issues, employment issues, violations of privacy rights, and mismanagement of electronic communications are all dangers associated with using social media.

- Credibility is at Risk

Companies require spontaneous response strategies in the event of a crisis because consumer opinions travel swiftly through social media. Customers or other third parties can utilize social media to criticize the company. If the firm does not interact or give the necessary time and attention, it will be unable to handle the potential consequences and make essential product and process adjustments.

- Safety

When some secret information about someone's activities within the organization is released, there is a risk that outsiders will use that to harm employees' safety.

- Brand Stealing

There is a chance of a mysterious third party of hijacking the company's name and gaining access to customers and prospects, including personal information without the company's knowledge. Unauthorized use of company names and trademarks is one such case.

## **V. CONCLUSION**

Many companies have already leveraged social media as a powerful tool for connecting with stakeholders and building a trusted, reputable brand. Of course, there are risks associated with



social media but avoiding social media is no longer an option. Social media have bigger benefits than ever before. New technologies help to win the market. One of such technology are bots. Bots (robots) are an automated program that runs over the internet. There are many forms of bots and which is relevant to social media marketing are chat bots and social bots. These are programmed in such a way that it mimics natural human interactions such as liking, commenting, following, and unfollowing on social media platforms. This has in turn created a large demand and the establishment of a new industry of bots providers. The problem arises when the bots have ability to mimic human interaction and it is difficult for marketers and data analyst to differentiate between human interactions and automated bot interactions. It has implications for quality of data. Social media have both positive and negative impacts. Social media can be an effective marketing tool for companies, entrepreneurs, non-profit organizations, and political parties and governments. At the same time, concerns have been raised about possible privacy issues. Social media in company's activity is great and important. The importance of new technologies and social media in the sense of global reachness which gives possibility to get to know consumer needs better than ever before. In these circumstances it is highly necessary that every company should have an effective social media governance strategy which shall be of:

- Maintain transparency and authenticity.
- Providing internal training
- Tracking and analysing user metrics
- Ensuring security and compliance

Boards should guarantee the necessary resources for management to address social media opportunities and challenges. Boards also need to challenge management's assumptions, test the accuracy of the information the company is relying on, ask the right questions, and help establish the proper strategy.

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