SOCIAL MEDIA: NEW CHALLENGES FOR CORPORATE GOVERNANCE

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Abstract

Social networking allows users to connect and interact with likeminded people. While these tools were originally developed for individual use, the aspects of information sharing and instant responsiveness of social media lend itself well for corporate communications. Through social media platforms, companies can build and promote their brands, introduce new products, and learn about their customer base. Social media becomes an extension of real world communication strategies by allowing enhanced transparency and increasing interaction between companies and their stakeholders. In this paper an attempt has been made to define the role of social media in applying good corporate governance practices and problems arises due to social media and explained precautions can be taken by companies to use social media for the better corporate governance practices .

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INTRODUCTION

Corporate governance refers to the broad range of policies and practices that stockholders, executive managers, and boards of directors use to (1) manage themselves and (2) fulfil their responsibilities to investors and other stakeholders. Over the past decade, corporate governance has been the subject of increasing stakeholder attention and scrutiny. These concerns have given rise to a powerful shareholder movement.

"Social media" is the broad term given to describe the latest evolution of Internet and web based communication platforms which enable users to rapidly Connect and interact in a variety of different formats. A social media site is a platform that allows user-generated content to emerge through interactions and collaborations in a virtual community. Social networks, media sharing sites, micro blogs, online games and product review sites are all part of everyday life. Current media darlings like Face book, Twitter and YouTube were unknown brands a few years ago, but now these social platforms have massive appeal and people from all age groups and demographics are signing up to take part. The global adoption of this phenomenon has a direct impact on your organization as employees, customers, investors and stakeholders participate in social communities.

Objectives of the Study:

The following are the objectives of the study:

- To know about the role social media in applying social Governance in the organization.

- To know about the problems arises due to use of social media.

- To know about various steps can be taken while using social networking sites by the employees.

- To know the social media policy can be used by the company.

1. Role of social media in corporate governance:

There are powerful benefits to using social media and social media networking which can enhance business reputation, create more opportunities for a company and be an effective tool to promote a business.

1.1 Role of social media for the Board of Directors:

Today Companies are formally gathering data from social media and incorporating them into corporate strategy, operational plans, and risk management. However, those who do rely on this information find it useful in pursuing corporate objectives. Now companies have considerable opportunity for companies that develop a reliable infrastructure for capturing data from social media and distilling them into an actionable, usable form for corporate decision makers. The directors and executives assume that there is a potential impact of social media on marketing, branding, reputation management, and customer outreach. They identify social media as an opportunity to improve collaboration and communication among employees, suppliers, shareholders, and

other stakeholders. Thus social media can help directors to disseminate information that is useful for improving company's image.

1.2 Role of Social Media to Internal Audit Committee's:

Internal Audit Committee has the responsibilities and functions set forth in this Charter, 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 theses post and comments.

Internal audit also needs to enhance its effectiveness. As the scope of the internal audit role has broadened; internal audit departments have been taking a number of steps to boost their performance. They are actively recruiting talent from a wider variety of backgrounds, including engineering and change management. They are using co-sourcing to fill skill gaps and manage costs, and they are leveraging advanced technologies like social media to cover more areas more quickly. They are also investing more time and energy in building strong relationships with their colleagues in management and with the external auditors and this can be easily possible by using social media as a best source.

1.3 Role of Social Media to Employees for applying good Corporate Governance:

A good team of employees is the backbone of a company. A responsible employee should be alerted enough to point out the wrong doings of his superior. Abuse of social media by other employees and superiors, especially when work versus private life boundaries are crossed, can have a detrimental impact on a business and, in some cases, damage the reputation of that business. In that case if employees who are using social media can help a company to can communicate this information to higher authority. Right action can be taken to face this situation and it will help company to apply good corporate governance practices.

1.4 Role of Social Media to Government and other Law Making Agencies:

Since the introduction of Indian companies Act 1956 the government has added many legislations and new acts to make corporate sector more accountable and their working more transparent. But many of the acts do not emphasis on maximum level of corporate governance in a systematic manner. Now the inception of using social; media by the government make possible to know the bad practices done by the companies .it becomes possible to the to change their legislation as per the information updated on the social media. It helps government to the insert new provisions into the laws. Here it should be kept in mind that law cannot built up a company ethical but it can only basis for practicing ethics.

1.5 Role of Social Media in Protecting Stakeholders:

Because of their format, targeting abilities, and structure, social media-based communication strategies are an effective extension of a company's existing shareholder outreach. The main benefits of social media in stakeholder's relations can be summarized in the following four principles:

Social Media Encourages Dialogue:

A company has little means of knowing whether the message actually reached the intended audience and how it resonated with stakeholders. Social media provides a solution by establishing two-way communications between the company and its stakeholders. Opt-in features of social media, such as a subscription to a news feed, ensure that the viewer is genuinely interested in receiving updates from the company, while the community-like structure of social media allows.

Technology brings Greater Transparency:

Electronic reporting, the growth in online financial services and the central role of the Internet in the popularization of financial communication are starting to level the playing field between institutional and retail stakeholders. Social media may lower the barriers for obtaining information about a public company and therefore increase the transparency of the company.

Multiple Channels Reinforce the Message:

Adding social media platforms to a public company's communication channels helps the company establish a broader presence with the investment community and reach new classes of stakeholders. Social media is usually community-specific, with audiences usually remaining loyal to one or a few preferred communities. Consequently, targeting several communities simultaneously with the same message helps align the perceptions of different stakeholders with the investment thesis. Additionally, social media helps reinforce the message already created and endorsed by the company. Tailored correctly, a comprehensive social media strategy complements a company's existing stakeholder's relations strategies.

Social Media is a High ROI 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. In contrast, the potential benefits may be unlimited: increased shareholder base, more transparent stakeholders communications, more relevant feedback from the investment community, and improved brand perception are just some of the potential gains. On the other hand, risks related to more relaxed content and brand control are relatively low if the strategy is managed correctly.

2. Problems of using Social media:

Due to increasing awareness of people it is important for a board of directors to understand the implications of Social Media. They don't need to understand how to use Twitter or the tiny details of Face book. But what the need to understand is how people use Social Media and how it can affect a large, mid-cap or small-cap public company or even privately held company. Information that might once have been safely proprietary can now escape the confines of a corporation and gain viral public exposure. Corporate missteps that might once have been easily and quietly managed can get magnified into crises. Directors are faced with sorting out how social media impacts the firms that they oversee and their own roles on Boards. The use of sites like Face book, MySpace, YouTube, LinkedIn and micro-blogging sites (e.g. twitter) present many challenges to employers. We frequently receive pleas for advice from employers when an employee posts an inappropriate comment on the web which damages the reputation of the business. Even when an employee uses social media outside of working hours, comments which damage the company's reputation or

portray the business in a bad light are being 'published' and may have repercussions for the employer.

Social media can impact a business unit in applying corporate governance in the following way:

2.1 Board of Directors Liability:

Many crises can lead to huge public discussion online. People can use Social Media tools to organize protests and gather information which can be used in litigation and puts members of the board in a liability suit situation. During and after issues, monitoring Social Media channels can help counsel better assess risk and potential outcomes. As executives, employees and board members blur the boundary between their professional life and their personal life on social media, the reputation risk is growing for companies. Researches shows mostly of the employees interviewed agreed that using social networks make it easier to damage a company's reputation. So, directors need to embrace social media to better promote their vision and connect with stakeholders. For social media efforts to be successful, directors need to implement a plan that outlines a strategy's goals and objectives, determine a course of action, assess the results and evaluate the outcomes. A measured, planned approach to using social media will result in using social media networks to their fullest extent, enabling you to reach your audience with clear, consistent messages that have a positive impact on your company's sales, reputation or image. Measuring the effectiveness of your social media plan will help to determine how well they are reaching to their customers. Directors should evaluate Face book comments, measure Twitter activity by followers and analyze analytics to see activity levels. They should provide this feedback to an organization's plans and strategies for improvements.

2.2 Union Organizing:

Today, we live and operate in a world that has been made smaller by technology and one that frequently provides a voice and audience through various social media channels. Unions are using social media very much. As access to technology that connects and promotes individuals increases, the average citizen, politician, celebrity and corporation now must conduct itself with the notion and expectation of decreased privacy. Company must act accordingly, since anything that is said and or done through these publicly available social media channels may be essentially witnessed by millions throughout the world. Management now finds itself having to continuously monitor reputational risk as diligently as any other corporate risk. Additionally, employees who in the past might not be aware of how their employer operates, now have access to volumes of information, pictures, video and first-person accounts, which add an additional dimension for management to address. The convergence of this new interconnected world and the economic inducement made available within whistle-blower laws, such as Dodd-Frank, has changed the employee/employer paradigm.

2.3 Whistle-blower Crises:

Today, a potential whistle-blower has multiple channels, laws and protections to provide a safe mechanism for them to inform the government and regulators about fraud perpetrated on the market, often by their employer. Anyone who has reports regarding insider knowledge of illegal activities occurring in an organization he can reveal it. This person can be employees, suppliers, contractors, clients or any individual who somehow becomes aware of illegal activities taking place in a business either through witnessing the behaviour or being told about it. It may be that a whistle-blower starts placing information in select channels, such as a blog, that could lead to threats of congressional hearings or legislative changes. A whistle-blower can quickly build community. For management, this fact presents a daunting challenge to 1) proactively encourage a potential whistle-blower to use internal corporate channels rather than immediately contacting a

government or regulatory; and 2) mitigate the fallout that can come from a whistle-blower allegation once such an allegation surfaces. A whistle-blower starts placing information in select channels, such as a blog, that could lead to threats of congressional hearings or legislative changes. A whistle-blower can quickly build community.

2.4 Legislation:

Groups opposed to a company's activity can use Social Media tools to build potentially damaging evidence against a company. This can result in citizen connecting with their legislative or elected officials with the result of legislation that stops the company in its tracks on a proposed project.

2.5 Stock Price Volatility, Insider Trading Claims Etc.:

An employee may post in a blog (intentionally or accidentally) information that could lead to a sell-off or drive a sudden hike in price and buy activity resulting in an investigation. It may lead to board changes or the need for board members to actively engage in reputation management and public statements. It may also lead to insider trading charges and create problems for the business organization.

2.6 Impact on Employer Employees relations: Inappropriate use of social media can upset employment relations .People seem to think that social media sites are private but employees should be aware that anything they "post" is in the public domain (think of it as a postcard!), and the consequences can severely damage the employment relationship. Employers are responsible for the actions of their employees whether or not they are done with the employer's knowledge or approval.

2.7Reputation Risk for the Companies:

Risk and reputation management is high on every board director's agenda, but effective control of social media often slips through the net for several reasons. Quite often, there is a lack of understanding at board level of the risks involved and, in many cases; there is no clear strategy or set of policies in place to manage social media risks

3. How to deal with Social Media Usage:

Have a dedicated and well-communicated policy on social media use that clearly sets out acceptable and unacceptable usage, both inside and outside the workplace as well as after employment comes to an end. The policy should be implemented in accordance with and comply with local requirements, especially privacy laws. As well as the many advantages of having clear rules as to what employees can and cannot do, without such policies, it can be very difficult to lawfully sanction employees for misuse of social media.

- If employers choose to monitor social media usage by employees at work (and our survey shows that many employers do), have clear, express and well-communicated policies about the extent and nature of the monitoring. Ensure they comply with and are implemented in accordance with local requirements (again, especially privacy laws).

- Any monitoring should go no further than is necessary to protect the employer's business interests and should be conducted only by designated employees who have been adequately trained to understand the limits on what monitoring is permissible and comply with local privacy requirements, including in respect of the safe storage, confidentiality of and onward transfer of personal data.

- Exercise extreme caution before relying upon information on social media sites to make employment-related decisions, such as decisions about recruitment and discipline. In addition to the danger of such information being inaccurate, relying upon such information creates the risk of unlawful discrimination, breaching data privacy requirements and infringing individuals' rights to privacy. If businesses nonetheless wish to rely on such information, have clear processes and policies in place to mitigate such risks.

- Based on recent cases from around the world, an emerging issue is misuse of confidential information by employees via social media. As well as addressing this issue through social media policies, it would be best practice to amend provisions dealing with misuse of confidential information to explicitly cover misuse via social media.

- To ensure legal compliance, corporate counsel will want to evaluate current business practices and adopt policy-based technology solutions that can automatically monitor and track company and employee use of social media. Ideally, the system will alert legal teams to potential violations of policies, and effectively enforce corporate governance policies.

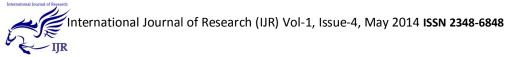## Use of proper Social media policy:

This model policy is intended to provide an example of good practice to employers and employees and is not intended to represent a statement of any legislation. Any reference to male persons in this policy should be read as including, or being female persons where this is appropriate.

Before developing a social networking policy it may be worth checking your email and internet policy as this may cover many of the aspects detailed below, or with a few amendments maybe this can be expanded to cover the use of any/all/some social networking sites. The most important message in any policy covering social network sites is the clear distinction of business and personal/private use.

Why Should You Have Such a Policy?

The use of Smart 'Phones and portable devices that allow us all to remain connected at any time of day/night, as well as the office PC both at work and remotely mean that personal and professional has become increasingly blurred, therefore:

- A business may be exposed to risk due to the comments of its employees (vicarious liability, data protection, reputational damage/unwanted litigation etc.);

- Loss of productive working time, if employees are using social media excessively during working hours;

- Ensures employees know that the use of social media can be monitored;

- Sets out the consequences if the policy is breached, e.g. disciplinary action;

- Gives employees a clear understanding of what should/not be said about the company;

- Can be linked to restrictive covenants for post-employment intellectual property, e.g. the ownership of contacts an employee has made during their employment by the use of LinkedIn or other professional networking sites;

- Can prevent damage to IT systems.

What Should A Policy Cover?

The following are examples only and should not be seen as an exhaustive list.

Increasingly businesses are seeking to professionally use social media; therefore the policy needs to set out some ground rules in relation to promoting of a business:

- The image the business wants to project to clients;

- Who will monitor the content of any 'public/professional' statements;

- Will all employees have access to this facility;

- Train those employees that will be promoting the business through this environment;

- Protecting employees from cyber-bullying or 'trolling' from bloggers etc.;

If using social media as a business tool a business may wish to consider having an 'escape strategy' if problems occur with the site and also state who will apply this if things go wrong.
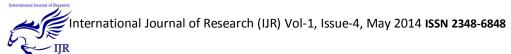
Personal use

- Do not post comments on work issues (or indeed about any work colleagues) online – the company's internal policies are there to address any issues within the workplace;

- Do not disclose any business or confidential information;

- Do not imply that the personal views of the poster are supported by or are also those of the employer;

- Make use of the privacy settings that any site offers;

- Ensure employees have a clear understanding of what is/not appropriate sites/language/content etc.;

- Set down a zero-tolerance of cyber-bulling and/or 'trolling' and the consequences if such actions are found to have taken place;

- Employees should be aware that any breach of the guidelines may result in disciplinary action;

Factors to consider when formulating a policy on social media use:

Employers need to develop a strategy and clear policy for use of social media in their business. This policy may govern how employees should use social media, not just for business purposes but also for private usage.

Any policy needs to take account of how the business is seeking to professionally use social media and a 'one size fits all' model is unlikely to work. If it is likely to be used to promote the business:

- Consider who should be responsible for deciding when and how to use social media

- Set some guidelines on how the organisation wishes to be perceived in the wider world

- State the level of monitoring carried out

- Consider how and by whom social media usage will be policed

- State any sanctions resulting from misuse or abuse

- Clarify ownership of contact lists and information

If organisations allow use of the company's computers for private use of Facebook, Twitter, etc., then:

- Consider restricting use to lunch breaks or before or after work
- A complete ban may be unenforceable or undermine morale without any real tangible benefit to the business
- Include reference to social media in bullying/harassment policies in particular with respect to "cyber bullying"
- Provide training to all employees on the organisation's social media policy
- Stress the non-disclosure of business related content or workplace related topics

In an era of increasing use of social media it is important that businesses take steps to protect their organisations and employees should be made aware of the consequences of misuse. A clear policy will ensure that employees recognise the limits imposed by the business on social media usage.

Conclusion

Social media presents unique opportunities for even the most tightly regulated or highly litigated organizations for applying good corporate governance. As social media evolves, it will only become more pervasive and create changing methods for interacting with employees, clients, counter-parties, and the public at large. At the same time social media interactions present unique risk to organizations. As organizations develop their social media governance models, they should be mindful of the legal and regulatory environment that creates certain obligations, but also prohibit or limit some types of conduct. More importantly, they should look beyond merely the ability to capture social media interactions, and instead focus on what it all means. Many public companies have gone to great effort to document, implement and enforce public communications policies; those policies do not always address the types of digital communications that have become increasingly popular in recent times. Such policies often focus only on appropriately directing inbound requests for information, or limit the prohibition on employee communications only to third-party message boards. Indeed, public companies may not be focused on, or even aware of, employee communications through social media.

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