The meaning of information disclosure for a company in social networks.

Abstract: Social networks facilitate a dialogue between company and stakeholder. However, corporations often underestimate the importance of that channel for the business development and typically share only the generally accepted accounting data. But investors seek for information disclosure to build a deep understanding of a company’s strategy, current performance, and potential to create long-term value. Gathering data about top companies from NYSE, we will model a 360-degree view that gives an opportunity to investigate activity of both side of dialogue via social networks and strength of relationship based on relevant information.

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Keywords: Social networks, Corporate communications, Investor relations, Information disclosure, Information and Market Efficiency, Market value

Today social network becomes a new communication channel for a company within stakeholders. Almost each corporation has an official account on Facebook or Twitter, sharing promotion videos on YouTube, presenting on SlideShare new strategy and recruiting specialists via LinkedIn.

Nevertheless some stakeholders are becoming more active via Social networks, creating communities to discuss interesting topics, finding significant information, sharing knowledge and experience.

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Social networks give the platforms to create a dialogue between company and stakeholder. However, for both side of corporate dialogue rise up a question- which kind of information is relevant?

Companies should provide more detail about how their businesses create value, give an honest assessment of performance, and provide guidance on the most important operating metrics. By the way, managers often worry that information disclosure would reveal sensitive information to competitors, generate too much work for the investor relations department (IR), or create excessive pressure to report too many numbers or to meet unrealistic performance expectations. On the whole, managers typically provide only the generally accepted accounting data. So that the main research question: is relationship between quantified information (firm performance) and qualitative information in social networks exists?

The purpose of the study is to evaluate the impact of information disclosure on the company performance.

In this paper we have discussed the nature of social networks and underline the importance and role of social networks for the company investor relations (IR). We have addressed the company advantages of social networks use such as higher information disclosure, meeting the investor’s need and an ability to obtain a feedback rapidly in response to the corporate events. In the conclusion we evaluated the effect of information disclosure on the market value of the companies listed on the stock market (NYSE).

To sum up, the study provides a 360-degree view that gives an opportunity to investigate activity of both side of dialogue (company and investor) via SN and to understand social networks as platforms where they can strength relationship based on relevant information. Furthermore, we are placing this work between econometrics and marketing issues. This particular study is multidisciplinary one.