

Chapter 15

On the Alert for Share Price Manipulation and Inadvertent Disclosure in Social Media Channels: An Exploratory Investigation of Nordic Companies

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ABSTRACT

Social media networks offer a tremendous opportunity for the dissemination of financial and other information globally to companies. It can be immensely useful for stakeholders and investors too. So far its permitted use as a primary disclosure channel is restricted. Some risks also exist through inadvertent disclosure of information, as well as potential share price manipulation, yet are companies necessarily aware and armed to handle the risks? This research conducts exploratory research into the attitudes of Nordic companies, in a region where social media primary disclosure is not permitted, to analyze the status quo and consider any risks that may prevail. Possible action changes and future research opportunities are also examined.

INTRODUCTION

This chapter seeks to use exploratory quantitative research to consider a hypothesis held by the author concerning the perceptions, opinions and attitudes of companies (through their investor relations representatives), particularly in the Nordic countries, about the risks of online and social media activity and information distribution. This study views both involuntary disclosure, as mandated by law or regulation, and voluntary disclosure together, as the observations and implications remain broadly comparable.

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While social media is not presently a permitted primary disclosure distribution channel for companies listed on local stock exchanges, it has a place as a secondary or additional distribution channel.

Social media can offer great distributive reach and engagement potential for companies, which within an investment scenario may lead to increased investment activity and interest. There is also the potential for increased brand awareness and possible business through this additional media exposure. There are risks, of course, by inadvertent disclosure of information by the company or its employees, as well as malicious disclosure by various actors, which may have a similarly opposite effect on both the company's financial performance and general business activities-at-large.

Even though this chapter focusses on the disclosure of financially sensitive information over or through social media, itself a more-regulated, legally sanctioned and prescribed activity within a broader field, it is important to note that other non-sanctioned disclosures, whether by innocent means or with a more deceptive intention-at-heart, may have an impact on a company in many ways. Sentiments and analysis gathered by this research may equally apply to the 'broader problem', with many of the same potential solutions being applicable for the monitoring, protection and even exploitation of a company's trade secrets, brand and other assets. Some activities need not have a specific deceptive intention to potentially create economic harm to a company, such as the identification of plans, internal data, or a piece of information taken out of context (for whatever reason or motive). Others may be more insidious and deceptive to impact on the company's share price and provide a market advantage for some. Once 'out there' on social media, erroneous or harmful information cannot be necessarily removed, even if legal action is taken and held valid by competent judicial authorities.

The issues are by no means possibly exclusively related to the Nordic countries, but even elements of social and cultural evaluation may have an influencing factor as to underlying attitudes and thus this broadly comparable group of countries makes for an interesting research group.

This work should be viewed as a gateway to additional research within a sector that undergoes continuous development and change. The objective is to highlight the status quo and encourage debate and, if necessary, possible behavioural modification. The revelations, conclusions and recommendations of this work may be beneficial in the future too, should change be instituted by regulatory or exchange authorities to permit social media as an accepted additional primary channel for involuntary disclosure.

FINANCIAL INFORMATION DISCLOSURE

Coequal or across-the-board shareholder disclosure concerning pertinent influential investment information is a fundamental expectation. Buyers and sellers of shares should have simultaneous access to the same knowledge, removing possible insider or favoured trading situations.

History shows that practice has not always followed theory, while problems exist even in current times. Therefore, a multitude of legislation, standards and requirements have been introduced concerning information disclosure (and other issues), streamlined over time by governments, stock exchanges and even professional associations.

Even inadvertent or manipulated disclosure of information can affect a share price and corporate confidence in many ways, leading to additional challenges for the company to consider and seek to negate. Social media and other online activities, viewed collectively, provide both advantages and disadvantages to companies, but is there sufficient awareness, balance and consideration to present-day and future issues?

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