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Use of Social media by Businesses: A New Opportunity for Consulting Services by Accounting Firms

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ABSTRACT

Social media is transforming the policies and practices of the current business market, causing this market to seek adaptive responses to the Millennial Generation (Generation Y) that will gain the majority buying power by 2016. Accounting firms, the major organizations of the business market, are seeking ways to generate more revenue by implementing social media in external and internal operations that sustain positive relations with clients and their own employees. With the use of Social media, there are legal risks of data leakage, information fraud, and hacking. This paper will examine how the use of social media by businesses is leading to a new service being offered by accounting firms, social media consulting. This leads to some firms like Deloitte, PWC, KPMG, Ernst & Young to start entering a new market of social media consulting. Through these adaptive responses, accounting firms recognize that social media is the preferred method to meet the 21st century expectations of their clients and employees.

INTRODUCTION

This research will examine how the use of social media has resulted in a new service offered by accounting firms—social media consulting. The goal of this research is to examine how social media impacts services provided by public accounting firms. The goal is not to look solely at social media and its expansion in the business market, but to examine specifically the advice that public accounting firms provide to their clients regarding the use of social media. The first section of this paper will discuss the history and definition of social media; while the second section will focus on the internal uses of social media. The third section will examine external uses of social media; while the fourth section will explain the advantages of using social media. The fifth section will highlight the disadvantages of using social media, and the sixth section will discuss the risks of using social media. The seventh section of this paper will describe the AICPA professional standards, and the paper will conclude with an overview of how social media is impacting the accounting profession.



HISTORY

Throughout history, strengthening relationships, communication with friends and family across long distances was a concern of human beings (Hendricks, 2013). Many historic inventions led to the communication technologies we have today. These inventions led to shortening the response time between a message sent from one person and when the response was received. One of the first forms of communication was in the form of paintings by indigenous populations. Following the paintings the Egyptians introduced hieroglyphics. Not until the 16th century B.C. was the first known alphabet created by the Phoenicians. Much later followed letters, telegrams, and telephone. On January 25th of 1915, Alexander Graham Bell (the inventor of the first telephone) made the first transcontinental phone call to his colleague, Mr. Thomas Watson



INTERNAL USES OF SOCIAL MEDIA

Building strong communication within the organization and screening applicants during the hiring processes are two of many benefits of using social media internally. Just like many other businesses, the top accounting firms are in the market to make money. The use of social media in everyday life has been increasing in all age demographics from May 2008 to May 2010, based on the Pew Research Center's Internet & American Life Project surveys. Social media use grew from 7 percent to 26 percent in people age 65 and older. In people age 50-64, it grew from 11 percent to 46; in people age 30-49, it grew from 25 percent to 61 percent; and in age group 18-29, it grew from 67 percent to 86. These astonishing numbers only support the trend of shifting policies within the accounting firms to implement social media in internal operations (Ernst & Young, 2011 p.2).

EXTERNAL USES OF SOCIAL MEDIA

Although the internal uses of social media are evident, social media is used externally by businesses as well. Two primary external uses of social media are for marketing purposes to build brand awareness, and in screening comments posted about company to engage its customers. Companies have known the positive impact of word of mouth advertising for years. Social media is like a word of mouth advertising on steroids. Thus, social media has been growing as a marketing tool in most major companies. According to Ernst & Young packet, "Social media new game, new rules, new winners": "Forrester Research found that 54% of peoples' buying behavior is directly influenced by what others say about a brand, and 60% of customers would change their purchase decisions in response to negative feedback from within their social network." It is then not surprising that companies are investing more and more money in social media marketing, in fact it is predicted by Forrester that marketing budget spent by companies on social media will grow 300% from 2011 to 2016 (Ernst & Young, 2011, p.4).

Advantages & Disadvantages

Social media advantages include employee training, recruiting, communication within organizations, and building business loyalty. When managed properly social media can produce advantages such as dealing with negative comments to protect the brand image and to decrease the time spent on hiring quality candidates. Negative aspects of using social media have been reported by many companies. Disadvantages in using social media for businesses include decrease in employee productivity, issues regarding—candidate screening, and hostile workplace. A decrease in employee productivity can be seen in a survey published by WorkPlace Media in 2010, 43 percent of 753 participants use social networking sites while at work. 78 percent of people who use social media at work spend up to 30 minutes a day on it. 13 percent spend 30 minutes, 5 percent spend an hour a day. 4 percent have social media sites open all day while at work (WorkPlace Media, 2009, 3).

Risks of Using Social Media

Today social media has become a routine: instant messaging, updating posts, emails back and forth, employees posting updates on Facebook and Twitter, uploading videos on YouTube, and sharing photos on Instagram, are all part of everyday use. The result is we live in a world where business and personal social media lines have become more obscured. This situation creates risks of using social media that consist of information fraud, hacking, employees posting sensitive information, and viruses and malware. One of these risks was shown in 2010, when hackers captured the servers of Gawker Media, especially popular blogging network, and obtained 1.4 million user passwords and other personal information. Later the information was shared on torrent networks and spammers took control of information shared by users to take control of Twitter accounts. (PWC, 2012, 3)

Consulting

Similar to the birth of consulting services in 1960's, due to the introduction of computer systems, social media will undoubtedly have a profound effect on consulting services. The use of social media provides another service opportunity as a result of technology changing how businesses conduct business. An expanding social media market grows the consulting side of accounting profession. The AICPA provides CPA's with sets of standards and guidelines to follow for any professional work that is done, along with additional standards such as "client interest," "understanding with client," specifically for consulting side of profession. These practices are set to ensure understanding of the responsibilities and expectations of both parties involved. Although the use of social media is a new technology, the standards for this work still apply.

Conclusion

Businesses cannot ignore the risks of using social media that include information fraud, hacking, employees posting sensitive information, and malware. To manage the risks of using social media and instruct businesses on social media policies, accounting firms are providing advice and guidance. The consulting side of accounting profession has been expanding in the last ten years. It is evident from professional literature that social media consulting is growing and accounting firms such as Deloitte, Ernst & Young, KPMG, and PWC have been the front runners in the social media consulting services.

For further information

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