



DATE – 16 March 2004

## THE CORPORATE PULSE

### **AUSTRALIANS FOCUSED ON HONESTY AND INTEGRITY – says a new report by research strategists Crosby|Textor.**

A new business poll published today by leading research strategists, Crosby|Textor, finds that in relation to corporate governance, Australians are far more concerned about **honesty and integrity** within corporations than they are with **executive salaries and payouts**.

The independent poll of 400 Australians, part of Crosby|Textor's Corporate Pulse series, a regular survey on a range of hot button issues, sought to understand what Australians believe to be the important issues when it comes to 'good corporate governance'.

While over half (55%) of Australians admit they would struggle to articulate what the term 'good corporate governance' means, they are much more comfortable discussing the factors involved. In fact, top of mind, three-quarters (75%) of Australians clearly identified at least one issue involved in 'good corporate governance'. Interestingly, 40% of these top of mind issues concerned **honesty and ethics**. Only 7% of Australians nominated **wages and salaries** as a corporate governance issue.

According to Joint Managing Director, Mark Textor, "this study takes corporate governance research to the next level. Our extensive research provided us with a list of corporate governance issues that people thought were important. Our priority here was to crystallise those issues that Australians perceived to be **extremely important** when it came to corporate governance".

Indeed, issues considered of highest importance for 'good corporate governance' open a new window for corporate Australia. Just 22% of Australians consider that 'fair and reasonable salaries' are **extremely important**, while issues considered of greater importance (rated 'extremely important') include:



- ◆ Honesty and integrity in all dealings (57%)
- ◆ Having an effective and diligent board of directors who fully adhere to their responsibilities and duties (54%)
- ◆ Dealing with staff in a professional manner (43%)
- ◆ Independently verifying and safeguarding the integrity of financial reporting to shareholders and the public (42%)
- ◆ Properly recognising and managing financial risk (42%).

Mr Textor indicated this study is consistent with other research, which reveals that salaries tend not to become an issue if a company's board and CEO are seen to be doing a good job.

"People know that businesses have to be profitable and that involves attracting the best people to run the company. That is why issues such as remuneration tend not to feature highly as corporate governance issues".

*This survey was conducted via CATI with a nationally representative random probability sample of n=400 people aged 18 or over on 24-25 February 2004.*

*Although the most sophisticated procedures have been used to collect and analyse the information presented here, it must be remembered that surveys are not predictions. They are designed to measure public opinion within identifiable statistical limits of accuracy at specific points in time. This survey is in no way a prediction of opinion or action at any future point in time.*

*In general, the maximum margin of error for a sample size of approximately 400 is  $\pm 4.9$  percentage points in 95 out of 100 cases. It should be understood, however, that this margin of error only applies to measuring a proportion based on the total sample. Margins of error will be different for comparisons between sub samples and for quantitative measures, such as means derived from ratings scales.*

*Any variation in reported percentages of  $\pm 1\%$  in this report is due only to rounding. In reporting of figures, "0%" denotes mentioned by less than 0.5% and "--" denotes not mentioned or no difference.*



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Crosby|Textor is a custom market research and knowledge-based strategic consulting firm, providing results-focused advice that adds the measurable value necessary to help our clients be truly successful.

Crosby|Textor is the creation of campaign strategist Lynton Crosby and leading market research advisor Mark Textor. Together they offer an unmatched pedigree, combining comprehensive experience in both market research, strategic communications and campaign execution.

Crosby|Textor aims to deliver powerful, targeted solutions, backed by leading-edge research techniques to ensure informed, timely, accurate and reliable advice.

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**Table 1: Able to Describe Good Corporate Governance**

| <b>Able to Describe Corporate Governance</b> | <b>Total<br/>(n=400)</b> |
|--|--------------------------|
| Definitely yes                               | 12%                      |
| Probably yes                                 | 31%                      |
| <b>TOTAL YES</b>                             | <b>44%</b>               |
| Definitely no                                | 27%                      |
| Probably no                                  | 28%                      |
| <b>TOTAL NO</b>                              | <b>55%</b>               |
| <b>D/S yes – no</b>                          | <b>-12</b>               |
| Can't say                                    | 1%                       |

*Recently there has been some debate in the community about good corporate governance of companies.*

*Being honest with yourself, if you were asked to describe to a friend what the term 'good corporate governance' means could you do so reasonably accurately? Is that definitely yes, probably yes, probably not or definitely not?*



**Table 2: Corporate Governance Issues (*Top of mind, unprompted*)**

| <b>Corporate Governance Issues</b>  | <b>Total<br/>(n=400)</b> |
|---|--------------------------|
| <b>NET – Honesty &amp; ethics</b>   | <b>40%</b>               |
| Honesty/transparency  | 19%                      |
| Looking after interests of others first<br>customers/shareholders/workers         | 10%                      |
| Social responsibility   | 8%                       |
| Fairness  | 7%                       |
| Ethics/basic ethics   | 7%                       |
| <b>NET – Accountability/follow laws</b>   | <b>16%</b>               |
| Obey rules/regulations/follow<br>laws   | 11%                      |
| Accountability  | 4%                       |
| A watch dog overseeing big<br>companies   | 4%                       |
| <b>Effective/good management</b>  | <b>15%</b>               |
| <b>Wages and super/CEO and Govt super<br/>payouts/CEO wages/politicians wages</b> | <b>7%</b>                |
| <b>Managing money/financial issues/tax<br/>cuts</b>                               | <b>5%</b>                |
| <b>Big business/rich companies</b>  | <b>3%</b>                |
| <b>Money for education</b>  | <b>2%</b>                |
| <b>Money for health</b>   | <b>2%</b>                |
| <b>Environmental issues</b>   | <b>2%</b>                |
| <b>Profit before people</b>   | <b>2%</b>                |
| <b>Family issues – more for<br/>families/maternity leave</b>                      | <b>2%</b>                |
| <b>Quality image of company/products</b>  | <b>1%</b>                |
| <b>Other</b>  | <b>6%</b>                |
| <b>Don't know</b>   | <b>25%</b>               |

*Regardless of your level of knowledge about the term 'good corporate governance' when you hear the term 'good corporate governance' what issues first come to mind, that is what issues does the term 'good corporate governance' conjure up to you personally? What else? Anything else?*



**Table 3: Important Factors in Corporate Governance (Prompted)**

| Important Factors in Corporate Governance (n=400)  | Extremely important | Very important | Somewhat important | TOTAL IMPORTANT | Not very important | Not at all important | TOTAL NOT IMPORTANT | D/S IMPORTANT – NOT VERY IMPORTANT | Can't say |
|--|---------------------|----------------|--------------------|-----------------|--------------------|----------------------|---------------------|------------------------------------|-----------|
| Honesty and integrity in all dealings  | <b>57%</b>          | 36%            | 4%                 | <b>98%</b>      | 1%                 | 0%                   | <b>1%</b>           | +97                                | 1%        |
| Having an effective and diligent board of directors who fully adhere to their responsibilities and duties    | <b>54%</b>          | 40%            | 4%                 | <b>98%</b>      | 1%                 | 0%                   | <b>1%</b>           | +97                                | 1%        |
| Dealing with staff in a professional manner  | <b>43%</b>          | 50%            | 5%                 | <b>97%</b>      | 1%                 | 0%                   | <b>2%</b>           | +96                                | 1%        |
| Independently verifying and safeguarding the integrity of financial reporting to shareholders and the public | <b>42%</b>          | 47%            | 9%                 | <b>97%</b>      | 1%                 | 0%                   | <b>1%</b>           | +96                                | 2%        |
| Properly recognising and managing financial risk   | <b>42%</b>          | 44%            | 12%                | <b>98%</b>      | 0%                 | 0%                   | <b>0%</b>           | +98                                | 1%        |
| Being environmentally responsible  | <b>38%</b>          | 46%            | 14%                | <b>98%</b>      | 1%                 | 0%                   | <b>1%</b>           | +98                                | 1%        |
| Respecting the rights of ordinary shareholders   | <b>38%</b>          | 44%            | 15%                | <b>96%</b>      | 1%                 | 1%                   | <b>3%</b>           | +94                                | 1%        |
| Disclosing all important financial activities  | <b>38%</b>          | 44%            | 12%                | <b>93%</b>      | 2%                 | 1%                   | <b>3%</b>           | +91                                | 4%        |
| Transparency in financial dealings   | <b>36%</b>          | 40%            | 16%                | <b>92%</b>      | 2%                 | 1%                   | <b>3%</b>           | +88                                | 5%        |
| Making known the respective roles and responsibilities of board and management                               | <b>30%</b>          | 44%            | 21%                | <b>95%</b>      | 1%                 | 1%                   | <b>2%</b>           | +93                                | 2%        |
| Making sure the company is profitable  | <b>28%</b>          | 39%            | 26%                | <b>93%</b>      | 5%                 | 1%                   | <b>6%</b>           | +87                                | 1%        |
| Fair and reasonable salaries, bonuses and fees for executives and board members                              | <b>22%</b>          | 32%            | 27%                | <b>82%</b>      | 12%                | 4%                   | <b>16%</b>          | +66                                | 2%        |
| Donating money to charity  | <b>16%</b>          | 26%            | 45%                | <b>87%</b>      | 9%                 | 2%                   | <b>11%</b>          | +76                                | 1%        |
| Sponsorship of community and sporting events   | <b>11%</b>          | 26%            | 43%                | <b>80%</b>      | 13%                | 5%                   | <b>18%</b>          | +62                                | 2%        |

*I am now going to read to you some issues that other people have mentioned as important factors in the good corporate governance of companies.*

*As I read out each issue I want you to say whether you personally feel that issue is likely to be extremely important, very important, somewhat important, not very important, or not at all important to the good corporate governance of companies. (PROMPT – If you cannot say, please say so).*

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