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THE CORPORATE PULSE

COMPANIES PERCEIVED AS PROFITABLE BUT WORK NEEDED ON COMMUNICATING INTEGRITY – research by Crosby|Textor finds

The second phase of corporate governance research conducted by Crosby|Textor, as part of its *Corporate Pulse* series, has found that whilst companies are perceived to be performing profitably, more work is needed to communicate how company boards and directors are conducting their business dealings diligently and with integrity.

“The community is looking for large corporations in Australia to practically demonstrate that they are doing business in a way that is honest, has integrity and is being lead by a diligent board” Crosby|Textor Joint Managing Director Mark Textor said.

The unique research on corporate governance measured how important the community perceived a particular attribute to be, while also measuring how the community perceived corporations to be performing on that same attribute.

“This research doesn’t just tell us how important the community thinks a particular attribute is when it comes to corporate governance, it goes further and tells us how the community thinks large corporations in Australia are actually performing on that attribute” Mr Textor said.

Specifically the research found that:

- ◆ 85% of the community think that honesty and integrity is “extremely important” in all corporate dealings, but only 38% of people believe that this actually occurs in all dealings.



- ◆ 82% think that having an effective and diligent board of directors who fully adhere to their responsibilities and duties is “extremely important”, whilst 47% believe that large corporations in Australia actually have an effective and diligent board of directors.
- ◆ 76% think that it is “extremely important” for corporations to be independently verifying and safeguarding the integrity of financial reporting to shareholders and the public. 48% believe that this is actually occurring.

“These results are consistent with the first phase of our *Corporate Pulse* which found that Australians are far more concerned about honesty and integrity within corporations than they are with executive salaries and payouts.”

The attribute which the community perceives as best describing corporations in Australia at this point in time is ‘making sure the company is profitable’ (mentioned by 82%), although only 52% rate this attribute as “extremely important” (and only 55% of shareholders).

Further demographic analysis found that:

- ◆ 83% of people with shares believe that honesty and integrity in all dealings is “extremely important” and 45% (compared to 38% overall) believe that it currently describes large corporations in Australia
- ◆ 83% of women (and 81% of men) believe it is extremely important to have an effective and diligent board of directors who fully adhere to their responsibilities and duties, but only 43% believe that this attribute currently describes large corporations (compared to a significantly higher 52% of men who believe the same)



- ◆ 78% of white collar workers believe it is “extremely important” that corporations are independently verifying and safeguarding the integrity of financial reporting to shareholders and the public, with 52% believing that this currently describes large corporations.

“Other research we have conducted in this area shows that Australians are very savvy as to the benefits of profitable large corporations.”

“People want companies in Australia to be profitable as it means jobs for them and investment for the nation.”

“What this research demonstrates is that in order to maintain the confidence of the community companies have to demonstrate through their communications the diligent ways that they are conducting their business to keep the company profitable” said Mr Textor.

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About Corporate Pulse

This survey was conducted via CATI with a nationally representative random probability sample of n=400 people aged 18 or over on 4-7th March 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 ± 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.

About Crosby|Textor

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.



Table 1: Corporate Governance Issues (*prompted*) – Importance vs performance

Corporate Governance Attributes	Importance		Performance		Difference (Performance – Importance)
	Mean Rating	(9-10) Extremely Important	Mean Rating	(6-10) Describes Performance	
Honesty and integrity in all dealings	9.4	85%	5.2	38%	-4.2
Having an effective and diligent board of directors who fully adhere to their responsibilities and duties	9.3	82%	5.6	47%	-3.7
Independently verifying and safeguarding the integrity of financial reporting to shareholders and the public	9.2	76%	5.8	48%	-3.4
Dealing with staff in a professional manner	9.1	75%	6.0	55%	-3.1
Respecting the rights of ordinary shareholders	8.9	69%	5.5	45%	-3.4
Being environmentally responsible	8.9	66%	5.3	42%	-3.6
Properly recognising and managing financial risk	8.8	64%	5.8	50%	-3.0
Disclosing all important financial activities	8.6	63%	5.6	46%	-3.0
Making known the respective roles and responsibilities of board and management	8.4	55%	5.5	44%	-2.9
Transparency in financial dealings	8.4	55%	5.4	41%	-3.0
Making sure the company is profitable	8.3	52%	7.6	82%	-0.7
Fair and reasonable salaries, bonuses and fees for executives and board members	7.4	42%	4.8	36%	-2.6
Sponsorship of community and sporting events	7.2	30%	6.0	52%	-1.2
Donating money to charity	7.2	31%	5.4	37%	-1.8

I will now read to you a number of corporate governance attributes that may, or may not, be important to you for corporations to live up to.

As I read each attribute I would like you to think about how important you personally think it is for corporations to live up to that particular attribute using a scale from 0 to 10 where a 0 means that it is not at all important to you for corporations to live up to that particular attribute and a 10 means that it is extremely important or critical for corporations to live up to that particular attribute. You can choose any number from 0 to 10.

I'm going to read you the list of descriptions again. This time I would like you to tell me how you think each attribute actually describes large corporations in Australia at this point in time when it comes to corporate governance.

Using a scale from 0 to 10 where a 0 means "that this attribute does not describe large corporations in Australia at this time at all" and a 10 means that the attribute "describes large corporations in Australia at this time perfectly" when it comes to corporate governance. You can choose any number from 0 to 10.



CORPORATE GOVERNANCE – IMPORTANCE VS PERFORMANCE

