

Kelly Gullo
585.214.7172
kgullo@harrisinteractive.com

New Poll Shows Majority of U.S. Investors See Financial and Accounting Regulations Governing Publicly Held Companies as Too Lenient

Almost one-third of investors have reduced or divested their holdings due to poor corporate governance

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A new Wall Street Journal Online/Harris Interactive Personal Finance Poll finds that despite the passing of the Sarbanes-Oxley legislation three years ago, more than half (55%) of U.S. investors¹ think that the financial and accounting regulations governing publicly held companies are too lenient, and this number jumps to 77% among male investors aged 45 to 54. Regardless of government regulation, investors are more likely to believe that punishment for poor corporate governance should be directed at certain individuals rather than the company as a whole. In addition, almost one-third (30%) of investors say they have reduced or divested their holdings in a company as a result of poor corporate governance.

Below are the results of the online survey of 2,061 U.S. adults conducted between Oct. 4 and 6, 2005, for The Wall Street Journal Online's Personal Journal Edition.

Effectiveness of Sarbanes-Oxley

Given what they know or may have heard about the provisions of Sarbanes-Oxley, including its restrictions and penalties for misinterpretation or misuse of company financial information, only one-quarter (25%) of investors feel this legislation has made the communication of financial information by companies much more or somewhat more transparent. Interestingly, about one in 10 (11%) investors believes the legislation has had the opposite intended effect, having made communication much less or somewhat less transparent. However, most notable is the 41% of investors who say they are not sure about the effect Sarbanes-Oxley has had on communication transparency, suggesting that many may not have an understanding of this legislation and its impact on businesses today.

"The effect of Sarbanes-Oxley seems to have blown by the average investor," says Anne Aldrich, senior vice president of the Financial Services Research Practice at Harris Interactive. "More concerning, among those who are attuned to the legislation, one-tenth believes that communication has become even less transparent with Sarbanes-Oxley in effect. Even as corporate scandals have waned and other economic news on energy prices and natural disasters has taken over the airwaves, organizations will need to continue to find ways to build trust in public companies among the investing population."

¹Investors are defined as U.S. adults aged 18 and over who own any of the following types of long-term financial services investment products: an employer-sponsored 401k, 403b, or similar retirement plan, individual retirement accounts such as Roth IRA or regular IRA mutual funds, individual company stocks or bonds.

Responsibility for Poor Corporate Governance

While just under half (45%) of investors believe boards of directors are most responsible for corporate governance, ahead of the CEO (22%), senior management (19%) and all employees (14%), about two-thirds (66%) think boards of directors are only somewhat or not at all effective in overseeing the companies they govern. However, should a company exhibit poor corporate governance, investors are split as to who should receive punishment. Similar numbers believe the executives (48%) and the board of directors (42%) should be punished and only 10% believe punishment should be directed at the company.

“The clear message, when you look at recent corporate scandals, is the folks who got hurt the most were the employees and this poll indicates that’s not what the public wants,” says Robert Fronk, senior vice president of the Harris-Wirthlin Brand and Strategy Consulting Practice, Harris Interactive. “Someone needs to pay the price, but they want that someone to be those who were personally responsible.”

TABLE 1

Responsibility for Corporate Governance – by Age

“In your opinion, who is most responsible for corporate governance?”

Base: Investors

	Total (n=1,248)	Age			
		18-34 (n=298)	35-44 (n=279)	45-54 (n=219)	55+ (n=452)
	%	%	%	%	%
The board of directors	45	39	36	48	51
The CEO	22	22	20	21	24
Senior management	19	19	24	20	16
All employees	14	21	20	12	9

Note: Percentages may not add up to 100% due to rounding.

TABLE 2

Punishment for Poor Corporate Governance

“In your opinion, should punishment for poor corporate governance be directed at...?”

Base: Investors

	Total (n=1,248)
	%
The executives	48
The board of directors	42
The company	10

Note: Percentages may not add up to 100% due to rounding.

TABLE 3

Effectiveness of Board of Directors – by Age

“How effective do you think boards of directors are in overseeing the companies they govern?”

Base: Investors

	Age				
	Total (n=1,248)	18-34 (n=298)	35-44 (n=279)	45-54 (n=219)	55+ (n=452)
	%	%	%	%	%
Very Effective/Effective (Net)	26	26	20	26	31
Very Effective	6	4	3	10	6
Effective	21	22	17	16	24
Not At All/Somewhat Effective (Net)	66	62	73	69	63
Somewhat effective	52	54	53	54	49
Not at all effective	14	8	20	15	15
Not sure	7	12	7	5	6

Note: Percentages may not add up to 100% due to rounding.

TABLE 4

Effect on Holdings Due to Poor Corporate Governance – by Education

“Has poor corporate governance ever caused you to reduce or divest your holdings in a company?”

Base: Investors

	Education			
	Total (n=1,248)	High School or Less (n=145)	Some College (n=490)	College Graduate (n=613)
	%	%	%	%
Yes	30	23	33	35
No	70	77	67	65

Note: Percentages may not add up to 100% due to rounding.

TABLE 5

Regulations Governing Publicly Held Companies – by Age and Gender

“Do you think that the financial and accounting regulations governing publicly held companies are too lenient, too strict, or about right?”

Base: Investor

	Male Age					Female Age			
	Total (n=1,248)	18-34 (n=173)	35-44 (n=154)	45-54 (n=102)	55+ (n=198)	18-34 (n=125)	35-44 (n=125)	45-54 (n=117)	55+ (n=254)
	%	%	%	%	%	%	%	%	%
Too lenient	55	44	56	77	60	33	61	47	59
Too strict	6	14	8	1	2	10	6	2	3
About right	39	41	35	21	38	56	33	51	38

Note: Percentages may not add up to 100% due to rounding.

TABLE 6

Punishment for Poor Corporate Governance

“Given what you know or may have heard about the provisions of Sarbanes-Oxley, including its restrictions and penalties for misinterpretation or misuse of company financial information, what effect do you feel this legislation has had on the transparency of communication of financial information by companies?”

Base: Investors

	Total (n=1,248)
	%
Much/Somewhat More Transparent (Net)	25
Much more transparent	4
Somewhat more transparent	22
Neither more nor less transparent	23
Much/Somewhat Less transparent (Net)	11
Somewhat less transparent	9
Much less transparent	2
Not sure	41

Note: Percentages may not add up to 100% due to rounding.

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Methodology

Harris Interactive conducted this online survey within the United States between Oct. 4 and 6, 2005 among a nationwide cross section of 2,061 adults aged 18 and over, of whom 1,248 are investors. Investors are defined as those who own any of the following types of long-term financial services investment products: an employer-sponsored 401k, 403b, or similar retirement plan, individual retirement accounts such as Roth IRA or regular IRA mutual funds, individual company stocks or bonds.

Figures for age, gender, race/ethnicity, education, income and region were weighted where necessary to align with population proportions. Propensity score weighting was also used to adjust for respondents' propensity to be online.

In theory, with probability samples of this size, one can say with 95% certainty that the investor results have a sampling error of plus or minus 4 percentage points of what they would be if the entire U.S. investor population (as defined above) had been polled with complete accuracy. Sampling error for the various sub-sample results (shown in the above tables) is higher and varies. Unfortunately, there are several other possible sources of error in polls or surveys that are probably more serious than theoretical calculations of sampling error. This includes refusals to be interviewed (nonresponse), question wording and question order, and weighting. It is impossible to quantify the errors that may result from these factors. This online sample is not a probability sample.

These statements conform to the principles of disclosure of the National Council on Public Polls.

About the Survey

The Wall Street Journal Online/Harris Interactive Personal Finance Poll is an exclusive poll that is published in the Personal Journal Edition of The Wall Street Journal Online at www.wsj.com/personaljournal.

About The Wall Street Journal Online

The Wall Street Journal Online at WSJ.com, published by Dow Jones & Company (NYSE: DJ; www.dowjones.com), is the largest paid subscription news site on the Web. Launched in 1996, the Online Journal continues to attract quality subscribers that are at the top of their industries, with 744,000 subscribers world-wide as of Q2, 2005.

The Online Journal provides in-depth business news and financial information 24 hours a day, seven days a week, with insight and analysis, including breaking business and technology news and analysis from around the world. It draws on the Dow Jones network of nearly 1,800 business and financial news staff-the largest network of business and financial journalists in the world. The Online Journal also features exclusive content, including interactive graphics on business and world news, and online-only columns about the automotive industry, technology, personal finance and more.

Personal Finance Poll

The Online Journal offers two industry-specific editions: the award-winning Health Industry Edition and the Media & Marketing Edition. The Health Industry Edition offers authoritative analysis, breaking news and commentary from top industry journalists. The Media & Marketing Edition is designed for professionals in the advertising, marketing, entertainment and media industries. Subscribers to both online editions also get access to the full content of the Online Journal.

In 2005, the Online Journal was awarded a Codie Award for Best Online News Service for the second consecutive year, and its Health Industry Edition was awarded Best Online Science or Technology Service for the third consecutive year. In 2004, the Online Journal received an Eppy Award for Best Internet Business Service over 1 million monthly visitors.

The Wall Street Journal Online network includes CareerJournal.com, OpinionJournal.com, StartupJournal.com, RealEstateJournal.com and CollegeJournal.com.

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Harris Interactive Inc. (www.harrisinteractive.com) is the 13th largest and fastest-growing market research firm in the world, perhaps best known for *The Harris Poll*[®] and for pioneering and engineering Internet-based research methods. The Rochester, New York-based global research company blends premier strategic consulting with innovative and efficient methods of investigation, analysis and application, conducting proprietary and public research globally to help clients achieve clear, material and enduring results.

Blending science and art, Harris Interactive combines its intellectual capital and one of the world's largest online panels of respondents, with premier Internet survey technology and sophisticated research methods to market leadership through its US, Europe (www.harrisinteractive.com/europe) and Asia offices, its wholly owned subsidiary, Novatris in Paris (www.novatris.com), and through an independent global network of affiliate market research companies. EOE M/F/D/V

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For more information, please
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Media inquiries, contact:

Kelly Gullo 585.214.7172

kgullo@harrisinteractive.com

Nancy Wong 585.214.7316

nwong@harrisinteractive.com

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