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Summary:

The Stanford study aimed to assess the reliability of the four major corporate governance ratings firms by examining data from 2005. The study found little statistical correlation between the ratings from the different services. For example, Pfizer received a perfect score from ISS (now part of RiskMetrics), but only a D from Corporate Library. GovernanceMetrics International (GMI) gave Lockheed Martin 9.5 of 10 while Corporate Library assigned its lowest score, an F.

The Stanford study also showed little correlation between ratings and performance. In fact, ISS's overall rankings were only useful in predicting future lawsuits: higher ranked companies were more likely to face class-action lawsuits. GMI, however, was able to predict corporate restatements better than the other firms.

Fortune points out that the study's findings lend strength to growing sentiment that rating corporate governance is an art, rather than a science...at least at this stage

(Note: NIRI picked this article for distribution to members in IR Weekly. The full study can be found

at http://www.law.stanford.edu/display/images/dynamic/publications_pdf/dgl6-26-2008_1.pdf)

Link to Original:

http://money.cnn.com/2008/06/26/news/companies/watching_the_watchdogs.fortune/index.htm

Original Title:

Who's Watching the Watchdogs?
