

■ Editorial



The EAA annual congress is the flagship event of the year for a number of accounting academics worldwide. The EAA's 37th Annual Congress once again showed us how international our society is. Since we just returned from Tallinn, I would like to thank Thomas Haldma and his team for organising this great event!

Many administrative decisions were made in various committees that held meeting at the EAA in Tallinn. Ann Jorissen tells us more about these news in her Presidential letter. Please keep in mind that the next annual congress will take place in Glasgow.

This Newsletter includes two very interesting essays *About Publishing*. Vivien Beattie argues that "Reviewer shortage creates crisis for journal peer review system". "In defense of the double-blind review" Thomas Ahrens and Chris Chapman provide an explanation for a blind review system.

As usual, we have a report on Accounting Traditions, this time focused on Italy, by Claudia Arena, Sara Saggese, Fabrizia Sarto and Riccardo Viganò. Last but not least, the book *Operations fo-rensics* is reviewed by Aytac Erdemir.

I wish you all a great summer!

Yours,

Hanna Silvola

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Letter from the president, Ann Jorissen

Dear Colleagues,

I write this letter immediately after yet another great EAA Congress. Many of us just returned home after having attended the 37th EAA Annual Congress in Tallinn. The organizing committee chaired by Toomas Haldma did an outstanding job. He and his local organizing committee spent many hours planning and working to prepare for this 37th Annual Congress. The dedication of the whole organizing team resulted in a perfectly organized conference with impressive locations for the social events (the Song Festival Grounds, where the “singing revolution” took place and the spectacular Seaplane Harbour where we enjoyed the gala dinner sitting next to a submarine, navy vessels and other types of boats). Even the weather turned out to be exceptional and allowed congress participants to get a glimpse in full sunshine of the beautiful and historic city of Tallinn. We are all greatly indebted to Toomas Haldma and his local organizing team for providing us with such a memorable congress. All the participants enjoyed an interesting scientific program in which 725 papers were presented in three different formats. In addition, participants could enjoy inspiring discussions in the 9 symposia organized by the SSC in cooperation with the Local Organizing Committee. In a very short period of time, Aljosa Valentincic, Chair of the SSC, his SSC committee members and all SC members completed the process of reviewing the 956 papers submitted to this conference. Many thanks for a job well done. Last but not least, I would like to thank all the people who contributed to the scientific content of the Congress, i.e. presenters of papers, discussants, speakers at symposia, chairs of symposia and sessions and all the participants.

Doctoral education and support for young PhDs is one of the main priorities of the EAA. We continued the tradition of the Doctoral Colloquium, which was set up more than 30 years ago. The University of Tartu hosted this year's Doctoral Colloquium, which was attended by 36 young scholars. Over three days, an enthusiastic Doctoral Faculty chaired by Bill Rees and Keith Robson provided these students with extremely useful feedback on their PhD projects. The PhD forum, which started as a pilot project last year, was organized for a second time and was held just before the start of the conference. Approximately 100 young scholars who were registered for the EAA congress also attended the forum. Thomas Jeanjean and Thorsten Sellhorn, the co-organizers of the PhD forum, together with the speakers at the PhD forum provided young academics with timely information on different research streams and the job market. I want to thank the faculty of the EAA's Doctoral Colloquium, the organizers and speakers at the PhD forum for investing their time in the EAA's future.

We introduced a novel item at this year's EAA Congress in that the presentation on the IFRS Framework-Based Teaching Approach, which was scheduled in prior years in parallel with all other presentations during the congress, was now organized on the Wednesday morning before the start of the congress. Since we noticed that this time slot allows many more EAA congress participants to attend this presentation, we will also schedule next year's IFRS Framework Based Teaching Approach session in the morning before the start of the EAA congress to be held in Glasgow in 2015. When academics teach IFRS standards they are users of the output of the IASB's standard setting process. However, academics can also provide input into this due process of standard setting. Rigorous and robust academic research can provide more insights into the economic consequences of accounting standards and into the

mechanisms that drive compliance with these standards. To communicate the importance of research for evidence-based standard setting, the IASB recently set up the IFRS Research Centre (<http://go.ifrs.org/IFRS-Research-Centre>) and started the initiative to issue a regular 'IFRS Research Round-up', a staff summary of news relating to the IFRS Research Centre. In order to inform all EAA members on the different ways of interacting with the IASB, communicating the results of their research, and of making the EAA members aware of the topics on which the IASB would like to receive input, we will circulate the 'IFRS Research Round-up' newsletter to all EAA members. You will receive the first issue of this 'IFRS Research Round-up' shortly.

The end of the conference also means a change of offices. Particular thanks are due to those whose term of office came to an end in Tallinn for their years of service to the association (Nicolas Berland, Markus Granlund, Araceli Mora and Hervé Stolowy). I extend a warm welcome to the new members of the EAA's management committee and the EAA's Board (Beatriz Garcia Osma, Marko Jarvenpää, Chrystelle Richard and Hanna Silvola). The General Assembly of the EAA in Tallinn formally appointed Salvador Carmona as the next President-elect of the association. Salvador knows the association very well since he has been serving the EAA for years in many capacities. He was editor of the European Accounting Review from 2006 to 2012. He was also a member of the EAA's Management Committee in recent years. Currently he serves the association in his position as Chair of the EAA's Publication Committee. Due to this appointment as President-Elect he will step down from the position of Chair of the Publications Committee in the very near future. Salvador has earned a great deal of respect in the association as a result of how he fulfilled all his past and current duties.

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■ Letter from the president (cont'd)

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I am sure that after the Glasgow conference the association will be in good hands. The Tallinn conference also marked the end of the Past-Presidency of Begona Giner. Begona has served the association for many years, first in her capacity as Chair of the Standing Scientific Committee and thereafter as President-Elect, President and Past-President of the EAA. I want to thank Begona sincerely for the positive, warm and constructive cooperation we have had over the past two years.

The Board and the General Assembly also approved the proposal of the Management Committee to switch from hard copies for the two associations journals to digital copies as from 2016 onwards. This implies that the membership fee of 2016 (being 60 EUR) includes by default a digital copy of The European Accounting Review and

Accounting in Europe, free submission of the papers to the Annual Conference, the EAA newsletter, access to the membership site of the EAA website and membership of a large community of academics. EAA members who would like to continue to receive the journals in hard copy format, would be charged an extra 20 EUR to cover the printing and distribution costs.

The end of the EAA Congress often coincides with the start of the summer. Especially with this year's mild winter in Europe, we feel that the summer has already started. The summertime is a perfect time to start new research projects or to start the write-up of research papers so that you will be in time to submit these papers on the 1st of December 2014 for next year's congress. I hope to see you all in April 2015 in the vibrant city of Glasgow for the 38th Annual Congress. Meanwhile I wish you all a pleasant and productive summer!

*Ann Jorissen
EAA President*



News on *European Accounting Review*

Forthcoming papers:

Real Earning Management Uncertainty and Corporate Credit Risk, Tsung-Kang Chen, Yijie Tseng and Yu-Ting Hsieh

Developing Enabling Performance Measurement Systems on the Interplay between Numbers and Operational Knowledge, Hans Englund and Jonas Gerdin

Implementability of Trading Strategies based on Accounting Information: Piotroski (2000) Revisited, Sohyung Kim and Cheol Lee

Do (Fe)Male Auditors Impair Audit Quality? Evidence from Going-Concern Opinions, Kris Hardies, Diane Breesch and Joël Branson

Mandatory Audit Firm Rotation and Audit Quality, Mara Cameran, Annalisa Prencipe and Marco Trombetta

How to Measure Analyst Forecast Effort, Tanja Klettke, Carsten Homberg and Sebastian Gell

The Impact of Debt-Equity Reporting Classifications on the Firm's Decision to Issue Hybrid Securities, Benjamin Segal and Shai Levi

Audit Partner Public-Client Specialization and Client-Abnormal Accruals, Karla Johnstone, Kim Ittonen and Emma Riikka Myllymäki

Fast Fashion: Calculative Technologies and the Governance of Everyday Dress, Ingrid Jeacle



News on *Accounting in Europe*

It is with great pleasure that I present **my first issue** as editor of Accounting in Europe. Happy reading! Remember that EAA members have free access to AinE article as soon as they are available: <http://www.eiasm.org/associations/eaa/earlink.asp?j=aïne>. You can also subscribe to get email alerts at:

<http://www.tandfonline.com/action/doUpdateAlertSettings?action=addJournal&journalCode=raie20>

And look forward to our next issue this Autumn, our special issue on the **conceptual framework** following on the successful **Symposium in Tallinn**. Thanks again to Mario ABELA, Senior Policy Advisor, Public Policy and Regulation, International Federation of Accountants (IFAC); Richard BARKER, Saïd Business School, Oxford University & EAA FRSC; Rasmus SOMMER, Senior Technical Manager, European Financial Reporting Advisory Group (EFRAG); and Alan TEIXEIRA, Senior Director - Technical Activities, International Accounting Standards Board (IASB). Look forward to seeing you at the **10th EUFIN workshop** in Regensburg in September, see Call for papers in this Newsletter.

Paul André, editor

Volume 11 Number 1 2014

Editorial

A new team
Paul André

Issues in European Accounting

The IASB and evidence-informed standard-setting - *Alan Teixeira*

“Old Hens Make The Best Soup”: Accounting for the Earning Process and the IASB/FASB Attempts to Reform Revenue Recognition Accounting Standards - *Yuri Biondi, Eiko Tsujiyama, Jonathan Glover, Nicole Thorne Jenkins, Bjorn Jorgensen, John Lacey, and Richard Macve*

Lease accounting: a review of recent literature - *Elisabetta Barone, Jacqueline Birt and Soledad Moya*

The IASB and FASB stumble over the annuity method of depreciation - *Stephen Zeff*

Research articles

Is Comprehensive Income value relevant and does location matter? A European study - *Alessandro Mechelli and Riccardo Cimini*

Determinants of Corporate Participation in the IFRS 4 (Insurance Contracts) Replacement Process - *Urška Kosi and Antonia Reither*

Post-Implementation Reviews for IASB and FASB Standards: A Comparison of the Process and Findings for the Operating Segments Standards - *Rucsandra Moldovan*

Book reviews

Financial Statement Fraud Casebook: Baking the Ledgers and Cooking the Books and Corporate Fraud Handbook: Prevention and Detection - *Mark Clatworthy*

Accounting and Order - *Lino Cinquini*

Upcoming EIASM Events

Here are some of the upcoming EIASM events. For a full list, please visit www.eiasm.org.

3rd Eden Doctoral & Young Scholars Seminar on Intangibles, Intellectual Capital & Value Creation, September 15-20, 2014, Ferrara, Italy

10th Interdisciplinary Workshop on Intangibles, Intellectual Capital and Extra-Financial Information, September 18-19, 2014, Ferrara, Italy

5th Workshop on Audit Quality, September 26-27, 2014, Venice, Italy

Eden Doctoral Seminar on Producing and Evaluating Knowledge in Management Accounting, December 13-17, 2014, Brussels, Belgium

9th Conference on New Directions in Management Accounting, December 15-17, 2014, Brussels, Belgium

Call for papers

IMA Case

Institute of Management Accountants

IMA® Case Writing Competition Call for Submissions - Deadline is July 11, 2014.

IMA (Institute of Management Accountants) is soliciting submissions for a case writing competition. Cases in any area of management accounting or related fields are invited.

Cash prizes for the winning cases are:

- o \$2,000 for first place
- o \$1,000 for second place
- o \$500 for third place

All cases submitted to the competition will automatically be reviewed for publication in the *IMA Educational Case Journal (IECJ®)*.

Submitting a Case

All cases should be submitted electronically in Microsoft Word or PDF format to d-desroches@imanet.org no later than **July 11, 2014**, to be eligible for the competition.

- Submissions of cases and teaching notes should follow the IECJ's submission guidelines available at www.imanet.org/IECJ.
- Manuscripts previously published or currently under review by other publications are not acceptable.
- Cases reflecting "real-world" situations are preferred.

Winners will be announced by July 25, 2014.

Questions regarding the case competition or the *IMA Educational Case Journal* can be sent to Denis Desroches, IECJ editor, at d-desroches@imanet.org.

■ Call for papers

The 10th Workshop on European Financial Reporting (EUFIN) in collaboration with *Accounting in Europe*

University of Regensburg, Germany, 25-26 September, 2014

BACKGROUND:

We are pleased to announce the 10th workshop on European Financial Reporting, which will take place at the University of Regensburg on 25-26 September 2014. In continuation of the workshop's tradition the 2014 version will offer parallel sessions that give sufficient room to present and discuss academic research papers. In addition there will be plenary sessions in which keynote speakers from practice and regulatory or standard setting bodies inform on practical implications of current developments in accounting and financial reporting within Europe.

TARGET AUDIENCE:

The workshop offers an opportunity and venue for the meeting of academics and practitioners that are interested in recent developments and research projects regarding financial reporting in Europe, its regulation and harmonization, and its process of change due to international developments. Young academics are especially invited to participate and profit from the fruitful atmosphere of the EUFIN workshops. Also participants without a submitted paper are welcome and invited to register for the workshop.

Topics of the papers may include, but are not restricted to, current accounting, governance and accountability issues with regard of the EU or particular Member States, economic and regulatory issues of international financial reporting and standard setting, auditing and enforcement.

At this ten years jubilee workshop a special focus will be on the future development of business reporting, covering topics like the future political, technical and conceptual challenges of the IASB, conceptual issues of the IFRS and the integration of financial and sustainability reporting ("integrated reporting").

10th JUBILEE SPECIAL

Because EUFIN celebrates the 10th jubilee of its workshop, a special pre-workshop event will take place. The delegates that arrive already on 24 September will be invited to participate in a visit of a BMW manufacturing plant and to listen to speech of BMW's chief accounting officer on future challenges in financial reporting that will take place in the early afternoon. For further information according to the program please see:

http://www.wiwi.uni-regensburg.de/EUFIN_2014/Programme/index.html.de

CALL FOR PAPERS:

Papers are invited on any aspect of financial accounting and corporate reporting in Europe. Practice- and policy-oriented research papers are particularly welcome.

Submission and Review of Papers:

Papers written in English should be submitted electronically no later than **13 June 2014** to Axel Haller, Chair of Financial Accounting and Auditing, University of Regensburg: eu-fin.bwl@ur.de

Papers will be subject to a blind review process. Authors will be notified of acceptance by **07 July 2014**.

Papers accepted for the workshop may be submitted to EAA's journal *Accounting in Europe* for a fast track review.

INFORMATION

Information about the workshop:

http://www.wiwi.uni-regensburg.de/EUFIN_2014/Home/index.html.en

Information about EUFIN:

<http://www.essec-kpmg.net/us/eufin/index.html>

Information on Accounting in Europe:

<http://www.eaa-online.org/r/default.asp?id=FGEKJL>

Information about the Chair of Financial Accounting and Auditing:

<http://www.wiwi.uni-regensburg.de/Institute/BWL/Haller/Home/index.html.en>

Information about Regensburg:

<http://www.regensburg.de/tourismus/Home/3854>

Call for papers

Special Issue: *Europe and IFRS: ten years on!*

Accounting in Europe

After ten years of applying IFRS in Europe, it is an opportune time to ask ourselves whether IFRS have achieved their aims and ponder on the next 10 years. The European Commission is currently launching its own impact study on IFRS while many in Europe have started questioning the future of IFRS. Also, the special advisor to EU Commissioner Michel Barnier, Mr Philippe Maystadt, released a draft report setting out his preliminary recommendations for enhancing the EU's role in promoting high quality accounting standards. We believe this is a great opportunity to participate in the debate. Accounting in Europe is therefore inviting contributions for consideration in a special issue on Europe and IFRS: ten years on.

Suggested topics, but not limited to:

- Have IFRS in Europe achieved their aims?
- Did IFRS eliminate barriers to cross-border trading in securities, facilitate fund raising?
- Did we achieve better transparency and comparability, how do we measure this?

- How have IFRS impacted those responsible for preparing financial statements, investors, financial analysts, accountants, auditors and other users?
- Should we revisit for which firms IFRS should be mandatory?
- What are areas of improvement?
- Should we forget worldwide convergence and work towards European Financial Reporting Standards (EFRS)?
- Are Philippe Maystadt's recommendations the way forward?
- How enforceable are IFRS?
- What has been the impact of the complexity of some standards on economic decisions (e.g. employee benefits, many firms seem to choose defined contribution plans instead of defined benefit plans)?

To be considered for publication in this special issue authors should submit their papers, including abstracts, by **1 December 2014** (same time you submit your papers for the EAA conference in Glasgow, easy to remember!) via the online submission platform:

<http://mc.manuscriptcentral.com/raie>.

Earlier submission is encouraged. Authors should bear in mind the publication policy of *Accounting in Europe*, which focuses on papers that are relevant to practice and policy. Papers must be submitted in English, although editorial assistance with the English language will be available for the papers selected. Instructions for contributors can be found at:

<http://www.tandf.co.uk/journals/journal.asp?issn=1744-9480&linktype=44>

Papers submitted will be subject to fast track double-blind peer review, aiming for publication in the second issue of 2015. For any question, feel free to contact me at andre@essec.edu.

Paul André
Editor

Report on
11th ACMAR
 WHU – Otto Beisheim School of Management, 13-14 March, 2014



New directions in management accounting research – discussions at the ACMAR 2014

The 11th Annual Conference for Management Accounting Research (ACMAR) took place at WHU – Otto Beisheim School of Management on March 13th and 14th. Once again, around 130 professors and doctoral students accepted the invitation of the Institute of Management Accounting and Control (IMC) and its directors Prof. Utz Schäffer und Prof. Jürgen Weber. The conference, which for the first time was held entirely in English, again served as a platform for academics from Germany and the rest of the world to exchange ideas. One of the topics that repeatedly came up was the future of management accounting research, which was addressed by Prof. Schäffer in his opening speech.

Ranjani Krishnan, professor at Michigan State University, began her keynote speech by taking a critical look at management accounting research in the USA. A central aim of accounting should be to provide information on the underlying economics of an activity.

However, according to Prof. Krishnan, the data provided is influenced by measurement error and bias. Reasons for this are the use of financial accounting systems for internal decision-making, educational deficiencies of managers, failure to account for mental models, and a false focus on rationality.

In line with ACMAR tradition, the second keynote speaker was a practitioner. Dr. Rainer Schwarz, Head of Corporate Controlling at Bayer AG, addressed the packed room of academics with a presentation on key areas of his job which were discussed at length afterwards. Dr. Schwarz focused on the management of administration costs at Bayer AG and the continuous drive to improve performance in the Controlling function.

Kari Lukka, professor at Turku School of Economics and the conference's third keynote speaker, kicked off the second day of ACMAR by making a case for restoring the practice relevance of management accounting which has been questioned in recent years.

According to Prof. Lukka, developments in theory and practice need not be contradictory. "Engaged Scholarships", an intensive collaboration of researchers and practitioners aimed at generating knowledge together, can produce knowledge that overcomes the dual hurdles of research and practice.

Among the many other contributions, presentations were given by lecturers not only from Germany, but from all over Europe, including the University of Innsbruck, Erasmus University Rotterdam, the University of Amsterdam, and Dublin City University. This confirms that the ACMAR has established itself as a European conference.

Following conference tradition, the delegates attended a dinner in the vaulted cellar at WHU which provided a platform for further discussions and networking.

The next ACMAR will take place on **March 5 - 6, 2015**.

ACMAR organizing team

Report on 3rd ACMAR Doctoral Colloquium

WHU – Otto Beisheim School of Management, 12-13 March, 2014

The Institute of Management Accounting and Control (IMC) at WHU – Otto Beisheim School of Management hosted the ACMAR-Doctoral Colloquium, which took place ahead of the **Annual Conference for Management Accounting Research (ACMAR)** on March 12th- 13th, for the third year running.

Doctoral students from the UK, Portugal, Ireland, Belgium and Germany discussed the current state of their research projects with an internationally renowned faculty at this year's **ACMAR Doctoral Colloquium** in Vallendar. Prof. Ranjani Krishnan from Michigan State University and Prof. Kari Lukka from the University of Turku joined Prof. Utz Schäffer, Director of the IMC, to discuss the participants' projects.

As in previous years, the Colloquium provided a platform for discussing a broad range of topics in management accounting and was well received by the participants. The projects covered a number of different research areas,



Above: Professor Lukka



Above: A group photo

from cost and quality management in Spanish public hospitals to the dialectic between global forces and local context in an Egyptian textile company. The variety of topics covered gave the doctoral students an insight into topics beyond their own field of work. On the one hand, the agenda included classical management accounting matters like performance measurement, incentives, and cost accounting. On the other hand, there were "creative" topics like the tension between global forces and local contexts for management accounting. Moreover, students were able to learn more about the broad range of methods used: field data, single company case study, experiment, and simulation.

The number of participants was limited to ten to ensure a stimulating discussion environment. The positive response during and after the colloquium showed that the participants profited from the valuable feedback and new input received which was made possible by the high faculty/participant ratio.

The 4th ACMAR Doctoral Colloquium will take place in Vallendar on **March 4 – 5, 2015**.

ACMAR organizing team

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About Publishing

Reviewer shortage creates crisis for journal peer review system

Vivien Beattie, Lancaster University Management School

When I was invited, as an Editor, to write a piece for the 'About Publishing' series in the EAA Newsletter, I was allowed to choose my own topic. Actually, this choice has proved to be quite difficult for two reasons. First, several of the obvious topics have already been very well covered in the series – Carmona (2012) considers the reasons for desk rejection; di Pietra (2013) and Vaivio (2013) discuss aspects of the peer review system, while Libby (2012) examines journal rankings and journal impact factors. Second, each of these elements and others are part of a system and it is therefore difficult to examine one part in isolation from the others.

I have, therefore, opted to offer my thoughts on a range of these topics, although there is a focus on the particular issue of problems in the reviewer market – basically a substantial excess of demand over supply without any effective means (such as the equivalent of price) to ensure market clearing.

My views are conditioned on my experiences (i) as an author over 25 years; (ii) as a reviewer over 20 years and across over 30 journals; and (iii) as the editor of two accounting journals (joint editor of the *British Accounting Review* from 2005-2009 and sole editor of the private journal *Accounting and Business Research* since 2013). It is also relevant to note that I have served as a panel member in two consecutive UK RAE/REF research quality assessment exercises (2001 and 2008).

The peer review system is central to the academic evaluation and reward system. Publications and subsequent citation are the means by which academics build up reputational capital. These days, academic journal publishing is a big (and profitable!) business. The market is oligopolistic and dominated by a few major players, such as Elsevier, John Wiley and Taylor &

Francis. While these companies pay nominal editorial expenses to cover some editorial assistance and travel, Beverungen, Böhm and Land (2012) note that the prevailing profit margins of 30-40% are obtained because of the exploitation of both academic labour and universities' financial resources. That is, authors, editors and reviewers are not paid for their work; in fact, it is the universities (who pay journal subscriptions) who also pay the salaries of these individuals. So indirectly the profits are coming from student fees and government university funding. To the increasing extent that such work is undertaken outside a 'normal' 37 hour working week, the profits are being subsidised directly by academics themselves. Many academics are experiencing extreme fatigue, high stress levels and a lack of much 'life' in their work-life balance. We are running simply to stand still.

Journal rankings have gradually obtained a stranglehold on the academic system, dominating the mindset and behaviour of virtually all parties. These rankings, such as the Association of Business Schools' list, and Thomson-Reuters Social Science Citation Index (SSCI) Journal Impact factor, are highly questionable to say the least. Hugh Willmott has been particularly vocal in speaking out against the 'mindless folly' and adverse performative effects of such lists (e.g. Mingers and Willmott, 2013; Tourish and Willmott, 2014). Cliff-edge rankings with just a few tiers are especially dangerous (the UK RAE moved away from this type of ranking in RAE 2008, adopting a more graduated classification scheme).

In relation to a journal's one-year impact factor, this ratio is based on the number of citable articles in a specific year (the denominator). The numerator is the number of citations to those arti-

cles in the preceding two calendar years by *SSCI-listed journals* and *including self-citations*. The italicised text is important. The SSCI set of journals is but one (relatively small) segment of the market. Although in recent years several more journals (including *Accounting and Business Research*) have joined this exclusive club, many fine journals remain outside. Citations made by these journals do not count at all. It is also well-known that the most highly ranked journals hardly ever cite any journal outside this self-referential set. There are several reasons for this but one is illustrated by a remark made recently by a leading US accounting researcher when presenting a paper to a UK audience – this individual slightly apologetically excused the lack of reference to non-top tier US accounting journals by saying 'I only know the US literature'. Journals can apply to be included in the SSCI list, but there is no transparency or accountability in the process. The inclusion of self-citations works against small, general, broad-based journals by, all other things being equal, limiting the likelihood of legitimate self-citations. Editors, who have a responsibility to promote their journal, therefore face agonising dilemmas. Some other fundamental problems with the impact factor (whether applied to an individual article or entire journal) are clearly set out by Baum (2011) and Fleck (2013). These measures are often driven by a very few highly cited articles.

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Reviewer shortage creates crisis for journal peer review system (cont'd)

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The institutionalisation of journal rankings is viewed by many to have, *inter alia*, led to the stagnation and homogenisation of research (e.g. Moser, 2012; Gendron 2013). Few researchers who have still to forge their academic career will risk asking interesting questions; instead, they look for marginal tweaks in relation to existing literature. A paper's motivation and contribution is often stated in terms of 'gap-filling' (Sandberg, and Alvesson, (2011), which hardly sounds exciting to the reader (who will initially be a reviewer or editor) and certainly fails to challenge existing literature! A related problem is what Spiegel (2012) refers to as 'bibliographical bloat', whereby marginal contribution papers are, ironically, accompanied by increasingly lengthy lists of references to prior research. (In making this point I am conscious of the fact that I have appended no less than 17 references to this very brief article!)

Having unashamedly exploited the opportunity that writing this piece for the *Newsletter* offers in terms of giving my views on a range of issues, let me now turn to my main topic – the review system. Reviewers serve a dual role – as 'ghost co-authors' whose advice helps to improve papers and well as gatekeepers who help to ensure that only worthy articles get published. My purpose here is not to elaborate on what makes a good reviewer – good discussions of this issue can be found in Caligiuri and Thomas (2013), di Pietra (2013) and Lucey (2014).

As an editor, I am increasingly worried about the sustainability of the review system – and I know many other editors share similar concerns. The problem has been exacerbated by the institutionalised pressures to publish in highly ranked journals. The conse-

quences of this cascade down the journal tiers. Authors are incentivised to submit papers to the most highly ranked journals – sometimes with no real expectation of acceptance but seeking to use the reviewers' comments to improve the paper. Once rejected and revised, the paper gets submitted to a tier two journal and so on until it is accepted. Is this author strategising fully ethical? Some reviewers, who are subject to the same publishing pressures in their author role, often find it hard to focus on the positive aspects of a paper and seem to look for reasons to reject it. Indeed, I suspect that some (thankfully not yet that many) hard-pressed reviewers do not fully read manuscripts – simply scanning across a range of key attributes to identify red flags to justify a quick 'reject'. As pointed out by Min (2013), such heuristics are suboptimal in terms of paper selection.

It may not be well-known, but the online manuscript management systems operated by most journals in the stables of the large publishers support the rating of reviewers by the Associate Editors/Editor. Ratings are made in terms of timeliness and quality. Once this database builds up, the editorial team can, before inviting a reviewer to act, check to see if the individual has a good track record as a reviewer. Of course, there is a danger that good reviewers are overloaded. We can also see how often an individual has declined to review. If I feel that the paper is within the expertise of the individual, then I confess to being irritated when a potential reviewer declines and shortly thereafter (or previously) they themselves submit a paper. This seems to violate a basic principle of reciprocity and fairness.

My worry as an editor is that it is becoming extremely difficult to find willing, suitable reviewers. In recent weeks I have had two papers submitted to *ABR* where it took more than eight

invitations to secure two reviewers! Of course the overall review load is not spread evenly; it falls disproportionately on established researchers who have themselves published successfully. Some such individuals are receiving five or more invitations a week, so they cannot hope to accept them all. In order to preserve increasingly scarce reviewer resources, I am desk rejecting an ever-rising proportion of papers that are judged at initial screening (either by myself or the assigned Associate Editor) to be unlikely to meet the quality threshold for acceptance. (For advice on how to avoid desk rejection, see Carmona's (2012) piece in a previous *Newsletter*. For a humorous piece on the review process, I recommend Ketchen, Short and Terrell (2011).)

In conclusion, a plea or two.... as an author, do try not to get swept up in the current gold rush fever (for 'gold' read '4* journal article'). In selecting your research questions, do not let the tail wag the dog! By this, I mean do not view a 4* publication as an end in itself. For the survival of our discipline, your primary objective should be to ask questions that you consider to be important and interesting and then to try to answer them sensibly. Submit your paper only once it has been presented at conferences and you feel that it is as good as you can make it. Submit to a suitable journal in terms of scope and reputational standing. As a reviewer, accept an equal number of review assignments as papers that you submit (adjusted to take into account your seniority). Put simply, do your share, do it with good grace and to the best of your ability. Also, do not look only for reasons to reject a paper; rather, read it to see if there is (or is the potential for) an original and substantive contribution to knowledge.

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Reviewer shortage creates crisis for journal peer review system (cont'd)

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My sense, in line with that previously expressed by Vaivio (2013) in this *Newsletter*, is that we are not currently in a stable, sustainable equilibrium situation in relation to peer review. In this situation, we each bear a responsibility to behave ethically and responsibly in our various academic roles. This can be especially difficult when trying to forge a successful academic career faced with institutionalised evaluation systems based on journal rankings. In such circumstances, it is also especially important. Each of us has agency and should seek to speak out against (and hopefully bring about change to) the worst aspects of the academic world that we inhabit.



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About Publishing

In defense of the double-blind review

Thomas Ahrens & Chris Chapman

Recent issues of the EAA newsletter have seen pieces concerned that the double-blind review process is unsustainable, unfair, and immoral. In the spirit of joining in the debate we seek to offer our own analysis of this institution. We are familiar with the problems that the critics flag, but we believe that the causes of those problems arise from a different understanding of the respective roles and responsibilities of authors, reviewers and editors than we ourselves hold.

A key concern of Alexander (EAA Newsletter 2/2013) and Vaivio (EAA Newsletter 1/2013), for example, is that the double-blind review does not produce open, knowledge-creating discussions between reviewers and authors. We agree, but we do not see this as a fault of the institution. Discussion of evolving papers rightly takes place in research seminars and at conferences. These forums and discussions are vital in the earlier-stage development of papers. There are many possibilities for framing an audience and an exposition of empirical material. The choices are not always clear cut and a free and open space for development and discussion can be invaluable.

Perhaps with this in mind, as noted by earlier contributors to the Newsletter, authors sometimes seem to seek to enroll reviewers as ‘ghost’ co-authors. That is, however, not the role of reviewers. A paper submission to a journal enters the work into an editorial process of evaluating and sharpening a specific line of argument under the guidance of an editor advised by reviewers.

When the paper advances to the journal submission stage the stakes are higher for the author, and it is the editor’s role to distinguish the publishable from the not publishable with the help of the reviewers. Authors (ourselves included, of course) do not typically

take criticism well and the double-blind review helps generate the frankness on the part of the reviewers on which editors must count to make their editorial decisions. Author distress in the face of criticism partly stems from the taking of specific critique of a submitted piece of writing as a critique of the author more personally. In relation to how we receive criticism, it is a limitation of written communication that it can lead to a tendency to “hear” a reviewer comment in our imagination with overtones of contempt and disrespect and to miss alternative possible intonations of the text which might express puzzlement or frustration on the part of the reviewer just as easily. Undoubtedly, distress also arises from the fact that career prospects rise and fall with the outcomes of this process.

The intention of the double-blind process is to avoid making things personal, however. The increasing career pressures seem to us to underline—not reduce—the importance of anonymity for preserving the openness of the reviewer. If, for example, the potentially senior authors were to know the identity of their potentially junior reviewers, the review process might be distorted by power games.

We worry that Alexander’s (2013) notion of “total accountability” downplays the work that the author has to do to revise a submission. Finding themselves increasingly under pressure to publish more and faster the risk is that authors start to want clear instructions of how they can get published, saving themselves the stages of re-drafting through which their argument gradually improves. The author cannot expect a fully worked out roadmap for an improved paper to be handed to them since the reviewer is not an author. The challenge to the author is to make their own argument work

properly, not get sidetracked into developing arguments in which they do not believe.

Responding to reviews is not about compliance but engagement of the author’s original points with some, but by no means all, of the suggestions of the reviewer. It is usually a bad idea to read simple and direct instruction into reviews therefore. Good reviews ask questions based on an expert framing of different, and not always related, lines of argument that the reviewer detects in the submission. The reviewer thereby tries to hint at complex and far reaching implications for the re-shaping of a paper. Authors in a hurry often miss this and address only the tip of the iceberg in terms of changes, answering the question in compliance mode and missing the reason why the question was important.

Ultimately, the onus is on the author to write the argument so clearly that a contrarian reviewer has little room to misconstrue or otherwise mistreat the submission. The key point here is that our own arguments are evident to ourselves, but they need to be clearly spelled out for others. Whilst review reports in our experience do contain a lot of guidance on how to do this, they often highlight aspects of papers that are not working as currently written. It can then be tempting for the author to over-interpret the clarity and authority of a review. The author may misread a statement that an approach as presently written is not working as saying that it cannot work at all. To the author such a review may appear dismissive of their approach or even dogmatic when, in fact, it was merely pointing out the inadequacy of the present attempt.

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In defense of the double-blind review (cont'd)

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Alexander's notion of "total accountability" also risks downplaying the role of the editor. In terms of accountability, it is important to remember that the reviewer is not anonymous to the editor, and the editor not anonymous to the author. As an editor the task of attracting and developing good papers to one's journal becomes paramount. Whilst much of the editor's time is taken up with rejecting papers, it should be borne in mind that editors want to publish good quality and influential papers. It becomes clear that the challenge for the academic publication system lies not in keeping submissions out, but developing them to the point where they are publishable. The job of editors is to edit; that is, to advise how the points that the authors wish to make are best made. The review process is a tool for pursuing this mission. Its purpose is to give the reviewers space to give their honest judgment of submissions and how they can be improved.

Reviewers contribute expertise and insight, but in most journals they do not have the power of veto. It would be unusual for an editor to invite a revision in the face of two recommendations to reject (even though we have done that ourselves), but it is not at all unusual to offer a revision in the face of one. In this system, there is no room for reviewers who want to abuse their anonymity. If reviews are not written up professionally, then the editor can ask for a revision or edit the review herself. Moreover, if a set of reviews on its own does not constitute good enough feedback, then the editor frequently contextualizes the reviews.

For the purposes of developing good reviews, it does not matter who the author is or where she works. Most editors take a dim view of reviewers who want to use Google and SSRN to guide their reviews. The point of the editorial process is to bring out the ideas so clearly that they appeal to the relevant audience. To allow for judgments of submission quality and substance that spill over into estimations of the quality of individuals' past works or university adds little to such judgments. Reviewers sometimes know the identity of an author (even preSSRN and pre-Google, by virtue of having seen it presented somewhere, for example). On balance we feel that it is more important to have an expert reviewer than a reviewer who does not know the name of the author.

In conclusion, we, like many other scholars, have received reviews that we found unhelpful and which we have found frustrating. We feel, however, that the answer to bad reviews is not to abolish the double-blind review system but to encourage all parties to the process to carefully consider their respective roles in the editorial process. Unhelpful reviews may result from a lack of attention on the part of editors, or they may be due to premature submissions, or through revisions undertaken in the spirit of compliance rather than authorship. We do not believe that bad reviews are an inherent flaw of the double-blind review system. We feel that calls for the abolition of the institution risk replacing it with something that might in practice be both less effective and still more laden with unwanted power dynamics.



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European traditions in accounting

Accounting in Italy

Claudia Arena, Sara Saggese, Fabrizia Sarto and Riccardo Viganò



International scholars are conscious of the contribution of Italy to the development of accounting practice. In fact, the historical origins of accounting were grounded on the bookkeeping and in particular on the method of double-entry which was first promulgated by the Italian Luca Pacioli.

Nevertheless, there is less appreciation of the distinctive Italian position in accounting theory. As happened in other countries (e.g. Germany), it developed as part of a wider discipline aimed to capture all the economic aspects of the *azienda*: *Economia Aziendale*. This discipline, mainly attributed to the thought of Gino Zappa and his followers, is concerned with the study of the *azienda*'s management, accounting and organization. Despite its centrality for Italian accounting thought, the relationship between *Economia Aziendale* and accounting (*ragioneria*) is not well understood outside Italy.

In the following, the evolutionary process of Italian accounting studies will be traced. Starting from the early contributions of the main representative accounting schools, the discussion will focus on the scholars that strongly influenced the Italian accounting theory. Then, the relationship between

accounting theory and practice will be discussed. Finally, it will be highlighted the state of the art of accounting research in Italy.

Influence of the Economia Aziendale on Accounting

The Italian accounting developed as part of a wider discipline intended to capture all the economic aspects of a particular kind of an economic entity - the *azienda*.

Although Italian authors were in the vanguard in publishing early textbooks on double-entry bookkeeping, distinctively Italian theoretical approach emerges only in the XIX century, with particular significant contribution of the "Lombard School" and the "Tuscan School".

The main representative of Lombard School was Francesco Villa (1840) who viewed accounting as a part of a wider process of administration. It was concerned not only with recording economic transaction, but also with overall organizational and administrative issues pertained to the *azienda*, defined as fundamental unit of economic activity.

The Tuscan School played several important roles. Its members founded and revitalized the accounting journals and associations (*Accademia dei Ragionieri*; national conference of the accountants) and individual scholars cast their influence over subsequent theoretical views of accounting. Francesco Marchi (1867), for example attempted to improve on the "personification views" of accounting borrowed from French writers. Together with Giovanni Rossi (1882), he stressed the "juristic nature of accounting". Giuseppe Cerboni (1886) advocated a science of economic administration of economic units (i.e. *aziende*) with accounting seen not only as computation but also as having economic and administrative aspects.

In the XX century, two theories that strongly influenced the Italian accounting tradition stand out and were based on the thoughts of Fabio Besta and Gino Zappa. In his scientific study of accounting Besta stressed the concept of the *azienda* and tried to overcome the wide variation in the activities of *aziende* by focusing narrowly on economic administration. Accounting becomes the science of economic control at the theoretical level aiming to develop the general principles for all kinds of *azienda*.

Zappa studied under Besta in Venice in the early years of the twenty century. He conceived the *Economia Aziendale* as a unifying discipline of all productive and economic activities for business as well as government entities. According to Zappa and his scholars, the *azienda* is regarded as an autonomous and holistic system, and *Economia Aziendale* is claimed to possess its own rules. In addition, the *azienda* can be examined in terms of coordinated "subsystems". As a consequence, *Economia Aziendale* is composed by three traditional organic segments: *organizzazione* (organization), *ragioneria* (accounting) and *gestione* (management and operations).

The emergence of the *Economia Aziendale* as unitary discipline has led to a shift in the accounting tradition from a more "patrimonialistic approach" (*patrimonialisti*) towards an "income oriented approach" (*redditualisti*).

The emphasis of the "patrimonialistic approach" identified with Besta (1922), was on capital (as the ultimate accounting reality) as reflected in the balance sheet. Besta's emphasis was on the control of the entity's wealth seen as consisting of positive elements (assets) and negative elements (liabilities).

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Accounting tradition in Italy (cont'd)

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Within this “patrimonial” or “proprietary” approach, events represent changes in net worth (*Capitale Netto*): the sum of individual changes in assets and liabilities over a certain period gives the measure of income. The balance sheet is the main account of the financial statement. The profit and loss account is a mere addition. The patrimonial approach is analytical adopting an atomistic view: the *azienda* is a simple sum of several components, so every items of net worth is likely an independent atom with individuality and a single value. Only capital is important and income is the accounting measurement of the change in capital over time.

The “income orientated approach” may be distinguished from the patrimonial approach. In the former, events occurring in the *azienda* give rise to (and measure) positive and negative changes, as elements of the periodic formation of income. Because events are conceived as inseparable over the entire life of the *azienda*, income (with its costs and revenues) is unitary in both time and space. Differently from the patrimonialistic view, the proposed is a synthetic approach: the *azienda* is considered as a whole. Every item of the net worth loses its individuality and value in favour of its whole upon which it depends. The main focus is on income and capital is a derived concept and has not an independent value. In addition, Besta’s accounting system was applicable to all kinds of *azienda*, directly and indirectly aimed at the satisfaction of human needs. Conversely, Zappa’s income-based accounting system was applicable to the economic units which produce wealth: the income that his system measures and represents. It is interesting to note that the patrimonialistic notion comes much closer to the modern approach propagated in North America than does Zappa’s approach – even though the latter is still fervently defended in

Italy.

In conclusion, in the track laid down by these two scholars, their disciples contributed to the promulgation and development of their ideas, giving energy, through the decades, to the construction of independent schools of thought. The most important were: the Milan School (Onida, Amaduzzi, D’Ippolito, Dell’Amore, Pivato, Caprara, Zerbi, Masini, Guatri, Rossi, Cudini, Lo Russo and Tancredi Bianchi), the Tuscan School (Ceccherelli, Giannessi, Riparbelli, Ponzanelli and Caramiello), the Genoa School (Giovannini and Cassandro) and the Neapolitan School (De Minico and Amodeo).

Gap between accounting theory and practice

The success of *Economia Aziendale* may be explained by reference to several factors: the authority of *ragioneria* scholars; the attraction of an autonomous science studying the *azienda* as unitary economic reality; and the deductive rationality of many theoretical assumptions, enriched with the framework of a new income-oriented bookkeeping system. However, the enthusiasm for the new way of thinking perhaps become excessive, stimulating many to extend the concept of accounting to become synonym of *Economia Aziendale*. The original scientific message was misunderstood: rather than the recognition of accounting as an organic part of a larger discipline, there was the incorrect conviction that such a new school enlarged the content of accounting. In the absence of clearly stated theoretical aims, *ragioneria* scholars, in the name of *Economia Aziendale*, have been moving away from their original research field and have neglected empirical problems. The distinctive nature of *Economia Aziendale* and the success of Italian accounting scholarship in previous periods may have distracted accounting scholars from an awareness

of the international developments in accounting research and practice. There was no formal exchange between Italian and American accounting studies. They simply ignored each other, and developed towards completely different paths. In Italy, the neglected analysis of the market of information and of the mechanisms that govern the behaviour of actors led to a gap between accounting theory and practice. Beyond the features of Italian setting - the presence of medium-sized family businesses, the access to capital and resources that is generally not correlated with information provided by financial statements - the delay in the methodological approach was crucial.

To appreciate how this delay has contributed to the gap between accounting theory and practice, it is important to look at the evolution that the financial statement experienced within the Italian setting.

Until the 60s the financial statement was typically internal oriented and had no other purpose than to try to reproduce the economic reality performed by operations. Hence, most authoritative scholars of *Economia Aziendale* provided important contributions to identify a theoretical model of financial statement. The reason for this relatively narrow view is mainly related to the average size and the typical proprietary structure of the Italian *azienda* at that time. It was medium or small in size, often being a sole or one-family owned, operating in a not well developed capital market. The public financial statement was not required by the financial community and became more legally and fiscally oriented than economically based.

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Accounting tradition in Italy (cont'd)

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Since the 70s the gap between Italian and international studies expanded gradually. The Italian scholars who examined the financial statement became less copious. The focus of their studies was the evolution of the rules for evaluation and representation of accounting numbers according to the fourth directive (then replaced by the DL 127/91 and the international accounting standards). Meanwhile, in the international debate the neo-positivist turn was shifting the focus from the issue of evaluation itself to the specific objectives of the companies and on the behaviour of all the actors demanding and producing financial information. The economic effects on companies, market and the information system as a whole became important objects of study. In some cases, new collaborations with scholars in economics and finance developed, leading to a multi-paradigmatic accounting discipline with a variety of scientific methods of investigation.

Starting from the beginning of the 90s in Italy there was a progressive attention to the financial statement as a document for publication rather than for internal use. It increased the scholars' interest towards topics such as the audit certification and the European directives on financial statements. Nevertheless, a deductive approach aimed to describe the new trends and interpret them in the light of the classical theory continued to prevail.

Until the beginning of the XXI century, with the European harmonization and the evolution of business operation, the preparation of financial statements became more complex. New issues and solutions produced by the accounting standards contributed to the evolution of accounting practice, although there still was a focus on the minimization of the tax burden. Hence, the level of professional knowledge improved, but not the quality of earn-

ings. Compared to other countries, in Italy the lack of empirical studies was strong especially considering the emergence of the importance of the accounting document in the Italian economic context, favoured by the attention on the financial statement fraud, due to by accounting scandals (e.g., Parmalat, Cirio). The deductive approach has not been able to capture neither the profound changes in the practice nor the goals and behaviours of the different actors involved.

Lately, the widespread use of international accounting standard and the Basel Accord have made accounting information even more important in the Italian setting. The importance of the financial statement grew also for smaller and capital closed firms. Important issues emerged and they required a deeper investigation by the scholars in order to identify the features of the new context, profoundly changed compared to the past. Understanding the behaviour of market participants, their objectives and the economic impact of accounting information was a high priority.

Current situation

Recently, the gap between accounting theory and practice is progressively decreasing. On one hand *Economia Aziendale* is gradually affirming its relevance in the international arena due to its remarkable methodological and heuristic potential for international studies in business economics, management, and accounting. Some scholars have traced the historical evolution of the theory in order to offer a survey and comparison of Italian accounting research and academic publications during the last centuries. Other authors have focused on the accounting implications relating to *Economia Aziendale*. Yet other scholars have examined the ethical issues implicitly put forward by *Economia Aziendale* theory, by discussing its relevance for business ethics research.

On the other hand there are several indications that the "information perspective of accounting" has arisen great interest. A number of papers have discussed this approach for the benefit of Italian accounting academics. They offer to the Italian audience (endowed with the necessary mathematical pre-requisites) a concise introduction into some fundamental aspects of the American information economic perspective. In the meantime, studies based on statistical-empirical methodology and relying on "positive accounting theory" have been developing. Topics of interest are: the role financial reporting in capital markets; the capital market effect of the introduction of IAS/IFRS; the relationship between financial reporting and corporate governance; accounting choice and earnings quality.

The effort of Italian scholars to fill the gap with the international studies is also witnessed by the emergence of new Academic journals mainly aimed to promote the accounting debate from an international perspective (e.g. *Financial Reporting, Management Control*) as well as the evolution of the aims and scope of some traditional Italian publications (e.g., *Rivista Italiana di Ragioneria ed Economia Aziendale, Contabilità e Cultura Aziendale, Rivista dei Dottori Commercialisti*). An additional indication of this trend comes from the internationalization of the main traditional accounting conferences (AIDEA, SIDREA), both in terms of the types of tracks and the inclusion of foreign participants.

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■ Have you read?

Richard Lai :

Operations forensics: business performance analysis using operations measures and tools (2013)

Reviewed by Aytac Erdemir, Jaume I University, Castellon, Spain

Publisher: MIT University Press, Cambridge MA, 2013, 384 pages. ISBN: 9780262018661.

A thorough analysis of the firm's operations can provide invaluable insights for investors. This premise constitutes the underlying theme of the book. Taking an investor perspective, Lai introduces the term 'Operations Forensics', and classifies operational performance analysis into three groups, namely; operational indicators, operational due diligence; and operational turnarounds.

The second chapter of the book briefly explains what can be inferred from financial statements; such as business model, product mix, or customer type of the firm. Author underlines the limitations of publicly available information, and warns us against the incomplete and possibly inaccurate information in financial statements.

After reminding us the significance of firm-specific factors that drive business performance, operational Indicators, the first step of collective operational analysis activities, are presented.

The first part, operational Indicators, is disassembled as indicators of accounting performance, indicators of stock market performance, indicators of disruption, and finally, indicators of distress. The second part, operational due diligence, includes assessing the customer base, assessing lean management, assessing risks, and assessing options. The third part, operational turnarounds, leans on purchasing, production and distribution value chains, and culminates with sustaining the turnaround. In this tripartite structure, operational due diligence is more relevant during investing; whereas operational turnaround is after investing.

Return on assets (ROA) trees are explained in the third chapter as indicators of current accounting-based performance. There is also an appendix that details ROA trees for various industries. Author, stressing that ROA is not as good a single aggregate measure of future performance, points to ponder finer measures of future performance such as sales and capacities to other performance drivers and dampers; then turns to stock price as the commonly accepted single aggregate measure.

Acknowledging that firms can and often do manage their operations to "manage" their stock market performance, Lai calls for investor awareness in chapter four by describing what can be done by investors; that is detecting operational deviations. He proposes statistical process control for detecting deviations in stable processes such as productivity, Benford's law for non-stable processes, and Beneish Model to detect earnings manipulation. Moving from indicators of misvaluation to indicators of disruption, author stresses the technological innovations as sources of disruption for firms.

In detecting corporate financial distress and bankruptcy, author prescribes the Altman Z score and 'runway' measures, both based on using publicly available historical accounting data, in chapter six. For those who are interested in bankruptcy, in addition to these measures mentioned in the book, it might be necessary to also consider the second strand of literature on modelling financial distress that relies on securities market information, as in Merton (1974)¹. Further, a recent study by Trujillo-Ponce et al. (2013)² defends use of a combination of accounting- and market-based variables as the best option to explain the credit risk,

suggesting that both types of data are complementary.

In the next part, author explains the nuts and bolts of due diligence. For operational due diligence, author advises establishing objectives on a number of performance metrics, and then looking at customer bases, company processes. Subsequently, he designates the need to better value a firm's risks, by differentiating between systematic and total risk, and stresses the importance of valuing a company's options. He summarizes the techniques to formulate the systematic, total risks and options.

In the last part, turning around purchasing production and distribution are explained. From the operational and managerial point of view, author argues rationalizing the supplier base can deliver significant benefits. Respectively, he notes, rationalizing production processes; i.e. production assets, service assets and capacities; and driving down unit costs with experience curves are the remedies for profit-maximization. As a side note, author also underlines the possible misuse of experience curve as a significant caveat. For turning around the distribution, designing the distribution channels via Rangan-Zoltners-Becker model is proposed. In the ultimate chapter of this part, and the book, sustaining the operational turnaround is explained in terms of five key areas; quality management by developing formulas for profit-maximizing level of controlling output quality, innovation management by adopting a linear programming approach to selecting innovations to pursue, revenue management by allocating capacity, performance management by tracking operational improvements, and investor management.

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Operations forensics (cont'd)

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Since the last part, operational turnarounds, is mainly relevant after making the investment; the perspective changes from investor to manager, decision-maker, or consultant.

In sum, as pointed out by the author at the beginning, this book, as a pedagogical collection of tools and frameworks in operations analysis, provides a resource not only to researchers or students, but also to practitioners as well. The takeaways and toolkits of each section present us practical and commonly used steps to take for operational analysis and formulations. It is, however, necessary not to overlook the critiques and limitations of employed tools explained in the book, though they may be commonly used.

The bottom line is that the very *nature of the firm* induces multi-faceted uncertainties, conflicts and problems. In a world where information is asymmetric and prone to manipulation, managers can take advantage of their decision rights as their incentives misalign with that of investors. Diving into a firm's operations to better discern and influence its valuation is, maybe, the contrarian stance of analysts and investors.

It is probable that *operations forensics* is emerging as an articulation of a new perspective to corporate finance and valuation.

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