
Keynote
**“What is Relevant Research
in Accounting?”**

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Outline

1. Characteristics of relevant research
 - ⇒ What comes to mind if you think of influential research papers?
2. Who decides what relevant research is?
 - ⇒ The role of peers, regulators, practitioners, editors, etc.
 - ⇒ Is it the choice of topic or something else?
3. How to produce relevant research?
 - ⇒ Identifying the research question
 - ⇒ Careful execution and identification of the effects
 - ⇒ Packaging and promoting your research
4. A case study
 - ⇒ The tale of an IFRS study
5. Conclusion

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1. Characteristics of Relevant Research



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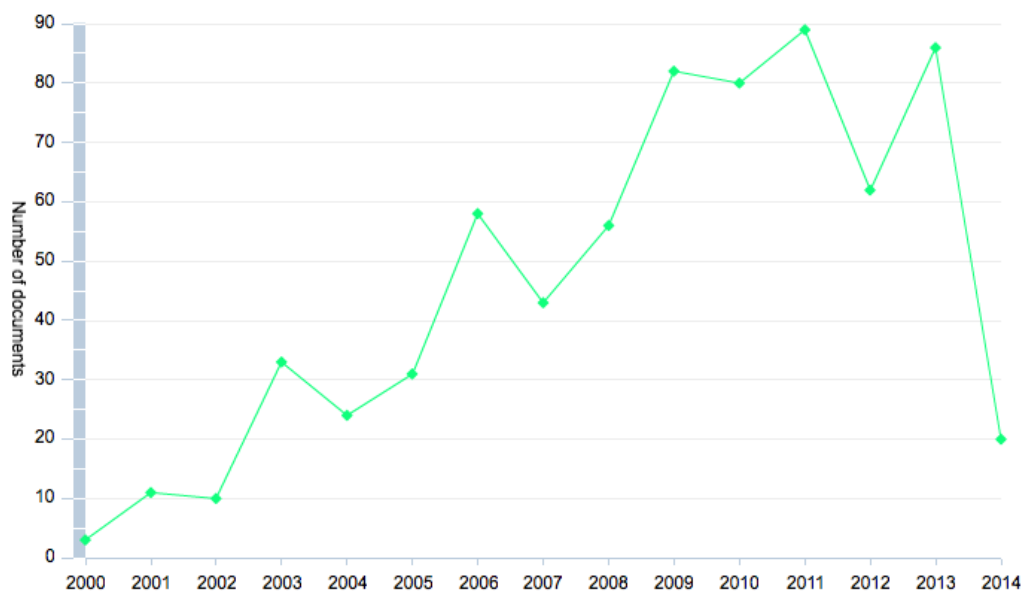
Test 1: Do You Know Any of These Papers?

- “The association between financial accounting measures and real economic activity: a multinational study”
 - ⇒ [Guenther, D., D. Young, 2000, JAE, Vol. 29, No. 1: 53–72](#)
 - ⇒ [57 cites in Scopus database](#)
- “The effect of international institutional factors on properties of accounting earnings”
 - ⇒ [Ball, R., S.P. Kothari, A. Robin, 2000, JAE, Vol. 29, No. 1: 1–51](#)
 - ⇒ [688 cites in Scopus database](#)
- “Earnings-based and accrual-based market anomalies: one effect or two?”
 - ⇒ [Collins, D., P. Hribar, 2000, JAE, Vol. 29, No. 1: 101–123](#)
 - ⇒ [108 cites in Scopus database](#)

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A Closer Look at Ball, Kothari, and Robin (2000)

- Citations over time



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A Closer Look at Ball, Kothari, and Robin (2000)

- Citations by outlet

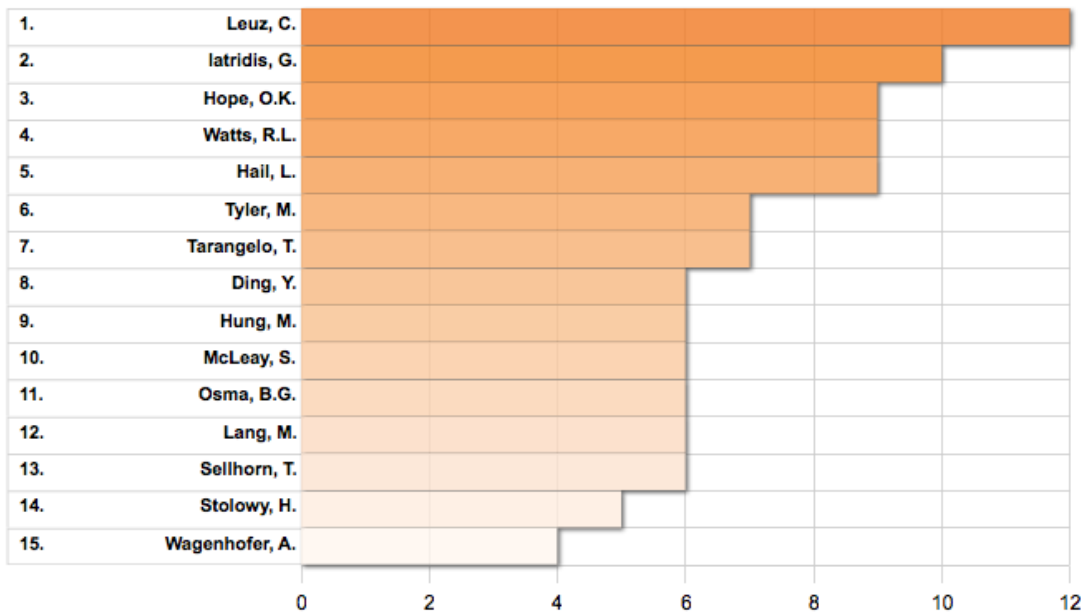
SOURCE TITLE

Journal of Accounting and Economics	50
International Journal of Accounting	48
Journal of Accounting Research	37
Accounting Review	30
Journal of Business Finance and Accounting	27
Accounting and Business Research	24
Journal of Accounting and Public Policy	23
Contemporary Accounting Research	22
European Accounting Review	21
Abacus	19
Accounting Horizons	14
Journal of International Financial Management and Accounting	14
Review of Accounting Studies	14
Corporate Governance in Transition Economies	13
Corporate Ownership and Control	13
Journal of Accounting Auditing and Finance	13
Journal of International Accounting Auditing and Taxation	13
Revista Espanola De Financiacion Y Contabilidad	11
Accounting and Finance	11
Journal of International Accounting Research	10

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A Closer Look at Ball, Kothari, and Robin (2000)

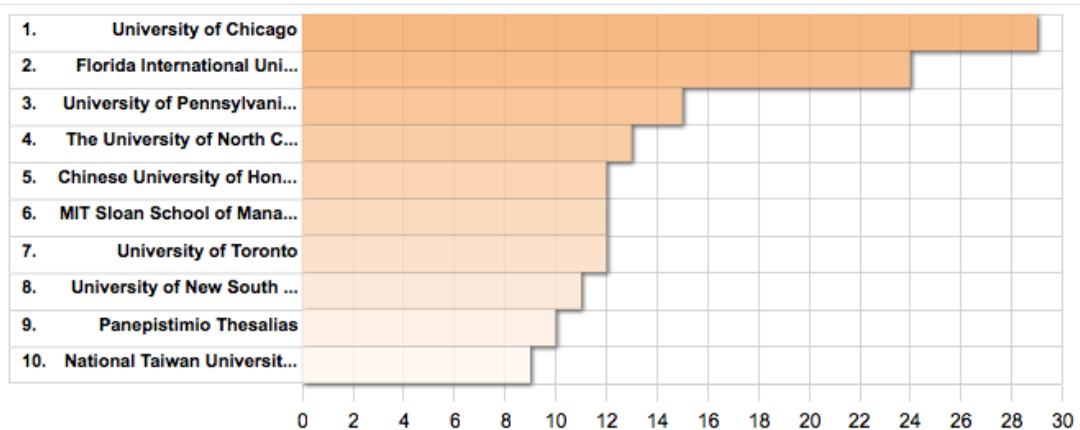
- Who cites them?



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A Closer Look at Ball, Kothari, and Robin (2000)

- What institutions cite them?



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Test 2: Do You Know Any Authors/Papers in the Area?

- “Accounting-based market anomalies”
 - ⇒ Bernard and Thomas JAR/JAE (1989, 1990): Post-earnings announcement drift
 - ⇒ Sloan TAR (1996): Accrual anomaly
- “Accounting conservatism”
 - ⇒ Basu JAE (1997): Asymmetric timeliness
 - ⇒ Watts AH (2003a/b): Conservatism in accounting
- “IFRS adoption”
 - ⇒ Barth, Landsman, Lang JAR (2008): Accounting quality
 - ⇒ Daske, Hail, Leuz, Verdi JAR (2008): Economic consequences

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How I'd Define Relevant Research

- Conveys good/intuitive idea that is easy to grasp
 - ⇒ Does it pass the ‘elevator pitch’ test?
- Contributes to important economic question
 - ⇒ What is overruling question and why is it important?
 - ⇒ Focus on ‘big potatoes’ or ‘low hanging fruit’
- Opens up new research area/opportunities
 - ⇒ Contribution can be topic-wise or methodological
 - ⇒ What is new/special about study?
- Can be controversial
 - ⇒ Famous Ball and Brown (1968) story
 - ⇒ Do not necessarily follow the ‘trodden path’
- Is credible
 - ⇒ Use state-of-the-art methodology
 - ⇒ ‘Lemon problem’ also exists in academia

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2. Who Decides What Relevant Research Is?






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The Role of Journals, Editors, and Educators

- Journals serve a certification purpose
 - ⇒ To become relevant, studies 'have to be' published
 - ⇒ Journal fit is important (consider your audience)
 - ⇒ Journal quality is often a necessary, but not sufficient statistic
 - ⇒ Citation count counts
- Editors play the role of gatekeepers
 - ⇒ Are interested in 'relevant' research (Type 1 vs. Type 2 errors)
 - ⇒ Can be good (visionary editor) or bad (indoctrinating editor)
 - ⇒ Select reviewers and make the final call
- PhD courses serve as accelerators
 - ⇒ Papers assigned in a PhD course by definition are relevant
 - ⇒ What you read in your PhD years stays with you for your entire academic life

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Citation Count Counts

- Citations are just one but an important indicator of relevance (among academics)
 - ⇒ These are the  Like   of the academics
- Citation business is competitive
 - ⇒ Social Sciences Citation Index, Scopus, SSRN, Google Scholar, etc.
 - ⇒ Journal compete for citations (incentive conflicts)
- 5 surveyed journals: TAR, CAR, RAST, JAR, JAE
 - ⇒ 2,638 articles over 2000 to 2013 period
 - ⇒ 294 with no cites (11%)
 - ⇒ 1,111 with 10 or less cites (42%)
 - ⇒ 1,474 with 20 or less cites (56%)
 - ⇒ 1,906 with 50 or less cites (72%)
 - ⇒ 153 with 100 or more cites (6%)

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Citation Count Counts: Most Cited Since 2000

Rank	Document Title	Authors	Year	Journal	Total Cites	Cites/Year
1	Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature	Healy P.M., Palepu K.G.	2001	JAE	732	56.3
2	Audit committee, board of director characteristics, and earnings management	Klein A.	2002	JAE	648	54.0
3	The effect of international institutional factors on properties of accounting earnings	Ball R., Kothari S.P., Robin A.	2000	JAE	642	45.9
4	Performance matched discretionary accrual measures	Kothari S.P., Leone A.J., Wasley C.E.	2005	JAE	640	71.1
5	The economic implications of corporate financial reporting	Graham J.R., Harvey C.R., Rajgopal S.	2005	JAE	599	66.6
6	The quality of accruals and earnings: The role of accrual estimation errors	Dechow P.M., Dichev I.D.	2002	TAR	513	42.8
7	The economic consequences of increased disclosure	Leuz C., Verrecchia R.E.	2000	JAR	472	33.7
8	Capital markets research in accounting	Kothari S.P.	2001	JAE	434	33.4
9	The relation between auditors' fees for nonaudit services and earnings management	Frankel R.M., Johnson M.F., Nelson K.K.	2002	TAR	401	33.4
10	Essays on disclosure	Verrecchia R.E.	2001	JAE	395	30.4
11	Incentives versus standards: Properties of accounting income in four East Asian countries	Ball R., Robin A., Wu J.S.	2003	JAE	375	34.1
12	The market pricing of accruals quality	Francis J., LaFond R., Olsson P., Schipper K.	2005	JAE	363	40.3
13	Errors in estimating accruals: Implications for empirical research	Hribar P., Collins D.W.	2002	JAR	356	29.7
14	Financial accounting information and corporate governance	Bushman R.M., Smith A.J.	2001	JAE	353	27.2
15	Corporate ownership structure and the informativeness of accounting earnings in East Asia	Fan J.P.H., Wong T.J.	2002	JAE	348	29.0

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Citation Count Counts: Most Cited Since 2006

Rank	Document Title	Authors	Year	Journal	Total Cites	Cites/Year
1	International accounting standards and accounting quality	Barth M.E., Landsman W.R., Lang M.H.	2008	JAR	219	36.5
2	Accounting information, disclosure, and the cost of capital	Lambert R., Leuz C., Verrecchia R.E.	2007	JAR	214	30.6
3	Earnings management through real activities manipulation	Roychowdhury S.	2006	JAЕ	208	26.0
4	International differences in the cost of equity capital: Do legal institutions and securities regulation matter?	Hail L., Leuz C.	2006	JAR	206	25.8
5	Mandatory IFRS reporting around the world: Early evidence on the economic consequences	Daske H., Hail L., Leuz C., Verdi R.	2008	JAR	205	34.2
6	Real and accrual-based earnings management in the pre- and post-sarbanes-oxley periods	Cohen D.A., Dey A., Lys T.Z.	2008	TAR	203	33.8
7	The importance of reporting incentives: Earnings management in European private and public firms	Burgstahler D.C., Hail L., Leuz C.	2006	TAR	189	23.6
8	Corporate governance, accounting outcomes, and organizational performance	Larcker D.F., Richardson S.A., Tuna I.	2007	TAR	175	25.0
9	Audit fees: A meta-analysis of the effect of supply and demand attributes Les honoraires de vérification: Une méta-analyse de	Hay D.C., Knechel W.R., Wong N.	2006	CAR	169	21.1
10	Determinants of weaknesses in internal control over financial reporting	Doyle J., Ge W., McVay S.	2007	JAЕ	167	23.9
11	The effects of corporate governance on firms' credit ratings	Ashbaugh-Skaife H., Collins D.W., LaFond R.	2006	JAЕ	164	20.5
12	Financial reporting incentives for conservative accounting: The influence of legal and political institutions	Bushman R.M., Piotroski J.D.	2006	JAЕ	159	19.9
13	Accruals quality and internal control over financial reporting	Doyle J.T., Ge W., McVay S.	2007	TAR	149	21.3
14	On the use of instrumental variables in accounting research	Larcker D.F., Rusticus T.O.	2010	JAЕ	141	35.3
15	The discovery and reporting of internal control deficiencies prior to SOX-mandated audits	Ashbaugh-Skaife H., Collins D.W., Kinney Jr. W.R.	2007	JAЕ	140	20.0

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The Role of Peers, Regulators, and Practitioners

- Peers decide what becomes common knowledge in academia
 - ⇒ Give credit where credit is due
 - ⇒ Not always the best paper wins (Microsoft example)
- Regulators act as inspiration and addressee of research
 - ⇒ Link from accounting research to standard setting is often muddy
 - ⇒ Try to set/influence research agendas
 - ⇒ Are actors in a political process and behave accordingly
- Practitioners serve as ultimate test for real world relevance
 - ⇒ Accounting community is small, so breaking the circle may be big
 - ⇒ Do a 'smell test': can you explain your research to your parents?

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Regulators as Inspiration for Research



Accounting and Business Research Special Issue Call for Papers

The Conceptual Framework

Accounting and Business Research (ABR) is pleased to announce a special edition of academic papers addressing issues relevant to the development and application of the IASB's *Conceptual Framework for the Preparation and Presentation of Financial Reports (the Framework)*.

In July 2013 the International Accounting Standards Board (IASB) published a Discussion Paper entitled *A Review of the Conceptual Framework for Financial Reporting*, as part of renewed efforts on its Conceptual Framework project (see <http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx>). The IASB is aiming to issue a revised Framework late in 2015.

We seek papers that address aspects of the *Framework*, including theoretical and practical questions. Theoretical papers may explore issues relating to the definition of the elements of financial statements, recognition, measurement or concepts of capital as well as disclosure and presentation and any other matters considered important by researchers. Applied papers may seek to inform the *Framework* debate on any of these topics by investigating issues arising in practice relating to application of existing accounting standards.

<http://www.ifrs.org/IFRS-Research/Pages/IFRS-Research-Centre.aspx>

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3. How to Produce Relevant Research?

Step 1: Identify Research Question


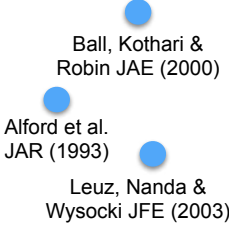


Example: Burgstahler, D., Hail, L., Leuz, C., 2006. The importance of reporting incentives: earnings management in European private and public firms. *The Accounting Review* 81, 983–1016.

<http://ssrn.com/abstract=484682>

Questions:

- What is the overruling research question?
- What is the study's unique feature?
- What are the conceptual underpinnings?
- How does it fit into existing literature?

Research Matrix: Incentives & Acctg. Quality

	Single Country	Multiple Countries
Public Firms	 <p>Entire Earnings Management Literature</p>	 <p>Ball, Kothari & Robin JAE (2000) Alford et al. JAR (1993) Leuz, Nanda & Wysocki JFE (2003)</p>
Private Firms	 <p>Ball & Shivakumar JAE (2005)</p>	 <p>Burgstahler, Hail & Leuz JAE (2006)</p>

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Step 2: Execute Research Question

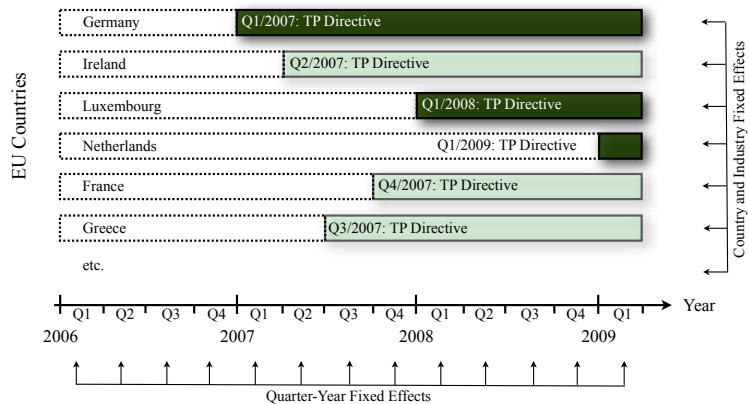
Example: Christensen, H., Hail, L., Leuz, C., 2013. Capital-market effects of securities regulation: prior conditions, implementation, and enforcement. Working paper, U Pennsylvania and U Chicago.

<http://ssrn.com/abstract=1745105>

Questions:

- How can we exploit the institutional specifics?
- Do we have a 'quasi' experiment at hand?
- How do we identify the stipulated effects?
- What are the standard research techniques in the area?
- How do the proxies map into the constructs?
- What are the main research threats?

Identification is key (documenting mere association is often not enough anymore)



Instead of 1 regulatory event, we exploit 2 events x 27 EU countries = 54 events that occur at different points in time.

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Step 3: Packaging & Promoting of Your Research

Example: Christensen, H., Hail, L., Leuz, C., 2013. Mandatory IFRS reporting and changes in enforcement. *Journal of Accounting and Economics* 56 (Suppl. 1), 147–177.

<http://ssrn.com/abstract=2017160>

Questions:

Can you answer the following three questions?

- What is our target audience/journal?
- Do we convey what, why, and how in the introduction?
- Does the abstract adequately sell our paper?
- Where can we present our research?
- How did we incorporate the comments we received?
- Are we comfortable with having our name on the title page?

What?

Is it accounting standards, the general quality of the legal system, or changes in enforcement that drives the capital-market benefits around mandatory IFRS adoption?

Why?

Disentangling the underlying sources of IFRS adoption effects is crucial for the interpretation of this historic global change in accounting regulation.

How?

We study liquidity effects across subsets of firms that are more/less affected by (i) IFRS adoption, (ii) a country's regulatory quality, (iii) tightening of reporting enforcement.

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Step 4: The Secret Ingredient

- Tenacity
 - ⇒ Typically, the first 20% of a project are fun, afterwards it is hard work
 - ⇒ Do not take criticism personal; it is our job to be critical
- Persistence
 - ⇒ Do not waste journal submissions for feedback
 - ⇒ Listen to the reviewers and the editor
 - ⇒ Do not give up after the first rejection letter
- Luck
 - ⇒ But remember: you can improve your odds!

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4. A Case Study



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The Tale of an IFRS Study

Journal of Accounting Research
Vol. 46 No. 5 December 2008
Printed in U.S.A.



Mandatory IFRS Reporting around the World: Early Evidence on the Economic Consequences

HOLGER DASKE,* LUZI HAIL,† CHRISTIAN LEUZ,‡
AND RODRIGO VERDI§

Abstract: This paper examines the economic consequences of mandatory IFRS reporting around the world. We analyze the effects on market liquidity, cost of capital and Tobin's q in 26 countries using a large sample of firms that are mandated to adopt IFRS. We find that, on average, market liquidity increases around the time of the introduction of IFRS. We also document a decrease in firms' cost of capital and an increase in equity valuations, but only if we account for the possibility that the effects occur prior to the official adoption date. Partitioning our sample, we find that the capital-market benefits occur only in countries where firms have incentives to be transparent and where legal enforcement is strong, underscoring the central importance of firms' reporting incentives and countries' enforcement regimes for the quality of financial reporting. Comparing mandatory and voluntary adopters, we find that the capital market effects are most pronounced for firms that voluntarily switch to IFRS, both in the year when they switch and again later, when IFRS become mandatory. While the former result is likely due to self-selection, the latter result cautions us to attribute the capital-market effects for mandatory adopters solely or even primarily to the IFRS mandate. Many adopting countries have made concurrent efforts to improve enforcement and governance regimes, which likely play into our findings. Consistent with this interpretation, the estimated liquidity improvements are smaller in magnitude when we analyze them on a monthly basis, which is more likely to isolate IFRS reporting effects.

<http://ssrn.com/abstract=1024240>

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Lining Up the Research Project

- Choice of research question
 - ⇒ This was at the height of the IFRS craze
 - ⇒ Relevance to regulators, practitioners, and academics a non-issue
- Potential contribution/innovation
 - ⇒ First paper to look at market consequences of mandatory IFRS
 - ⇒ First paper to compare different types of IFRS adopters (voluntary vs. mandatory)
 - ⇒ Research design that accounts for clustered adoption of IFRS (i.e., diff-in-diff, benchmarking, sequential roll-out of annual reports)
- Feasibility/threats
 - ⇒ Someone was going to do such a project, it was just a matter of timing and execution
 - ⇒ Data was not available until second half of 2006
 - ⇒ Even even non-result would be interesting; but: for how long would people care about IFRS?

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Project Stage & Publication Process

- Getting the analyses ready
 - ⇒ Input data for implied cost of capital not available until early 2007
 - ⇒ Hand-coding of voluntary IFRS adopters still under way
 - ⇒ First set of analyses in April 2007 (together with brown bag presentation)
- From draft to submission
 - ⇒ First draft in September 2007
 - ⇒ Feedback from 10 workshop or conference presentations
 - ⇒ Initial Submission (after multiple revisions) in January 2008
- Publication process
 - ⇒ Conditional acceptance in April 2008

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Is This Really a ‘Relevant’ Study?

- As always, research is a matter of taste
 - ⇒ Certainly topical, but limited lifespan
 - ⇒ Over 200 citations in Scopus so far
 - ⇒ Used in several PhD courses
- Many citations misstate our findings
 - ⇒ Focus on “effects of IFRS” while we caution “to attribute the capital-market effects [...] solely or even primarily to the IFRS mandate”
 - ⇒ Focus on main/average results but ignore more subtle cross-sectional analyses or within-adoption year results
- Back in the headlights again last year
 - ⇒ Academic debate about effects of IFRS: Christensen, Hail, and Leuz (2013) vs. Barth and Israeli (2013)
 - ⇒ See also discussion: <http://ssrn.com/abstract=2319475>

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5. Conclusion

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Take-Aways

- Ask yourself the important questions early on
 - ⇒ What, why, how?
 - ⇒ Where is the innovation?
 - ⇒ Conceptual underpinnings?
 - ⇒ etc.
- Focus on/exploit your competitive advantage
 - ⇒ e.g., use your institutional knowledge
 - ⇒ e.g., gather a unique database
- Do not hesitate to think big (but appreciate the small)
- Do not neglect the 'economics of the publication process'
 - ⇒ Change the odds in your favor

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Final Word

Be passionate about your research ...

... because it is your career and you will spend much time doing it

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