Probing Empirical Attitudes in Academic Finance

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Abstract

This article provides some reflection from early career researchers in finance towards empirical issues in finance. By drawing upon a semi-structured interview method, reflections are sought from five early-career, or young, academics, finding that methodological choices in finance are influenced not only by concerns over method, but by some aspects of ideology.

Key Words: finance, methodology, researcher perceptions, ideology

Introduction

In several methodological reviews of academic finance, it has been postulated that one particular methodology is dominant: positivism (Williams, 2003; Ardalan, 2008; Frankfurter, 2007). A number of potential reasons have been offered for this perceived dominance, ranging from ideology (McGoun and Frankfurter, 1999; Frankfurter, 2007) to the unwillingness to engage in alternative approaches (Ardalan, 2008), to a perceived lack of validity in other approaches (Fama, 1998). Equally, studies of quality in finance, and the related disciplines of accounting and economics, have asserted that prestigious and highly ranked journals have a tendency to frequently publish papers that draw upon positivist approaches, and also to reject papers using a non-positivist approach (see, Frankfurter, 2007), such that positivism is equated with a discipline wide association with quality in research output (Reiter and Williams, 2002; Williams, 2003; Bonner et al., 2006). Frankfurter (2006) has claimed that this reliance upon positivism has overshadowed finance to such an extent that fundamental theories and underpinnings of finance are largely unquestioned as positivist approaches treat this underlying theoretical core for granted.

In the same study, Frankfurter offers a personal insight into the dominance of positivist approaches, claiming that as an academic he never fully reflected on the philosophical underpinnings of finance, or more specifically on the philosophical aspects of conducting research. At length he details that upon reading the works of Popper, Kuhn and Lakatos in the philosophy of science that he "realized that my research has been an imitation of others without understanding what lies beneath the surface and without contributing much to the process of discovery: the search for truth" (Frankfurter, 2006: 131). After this admission, Frankfurter then claims that finance is rarely scrutinised from within. These two points, when paired together, pose an interesting claim: that without scrutiny and reflection of the core of finance, it is possible for academics to simply produce research that imitates popular or mainstream approaches.

Outside of finance, studies have suggested that academics do engage in this kind of imitative research practice; specifically, there are also indications that junior academics are making an effort to produce research that links with the output and research trends of perceived high quality journals (see, Willmott, 2011). And inside finance, there are suggestions that academics actively maintain the methodological status quo (Baker and Bettner, 1997; Williams, 2003; Frankfurter, 2007). This perceived dominance of method is concerning, as some theorise that young and early career scholars are coerced into performing positivist finance (Reiter and Williams, 2002; Frankfurter, 2007). Frankfurter (2000), as then editor of *International Review of Financial Analysis*, published a somewhat ironic guide for young finance academics that outlined disciplinary expectations of the content and style of a journal article in finance. In the guide, he claims that a paper adopting a normative approach to research would be disqualified from "many leading journals" (2000: 300).

This also becomes important for publication concerns: "For some journals, the findings and conclusions must be ``in line" with editorial views or support the ``right" theory. Quality notwithstanding, the paper does not have a prayer of a chance to be reviewed, much less to see the light of publication, if it violates this rule" (Frankfurter, 2000: 302)

Thus, for young academics, there emerges an ostensibly important emphasis placed upon the adoption of a particular method, and it is assumed that maintaining the methodological status quo is necessary for career progression. Yet the finance literature is absent of any similar commentary that focuses upon the perceptions of these young scholars towards methodological issues, or indeed the pressures of research. Consequently, it is the task of this study to address this knowledge gap by actively seeking the beliefs and opinions held by early-career finance academics to concerns of methodology.

Research Method

The aim of this paper is to explore some of the social conditions of the research process, specifically the attitudes to, and perceptions of, young academics towards research methodology in finance. This paper also follows the, limited, examples of interpretive research in finance (Bettner et al., 1994), which is concerned with providing an understanding of academic finance at the level of subjective experience (cf Ardalan, 2008). This engagement with an interpretive perspective necessitated use of a research method that provides a deep level of analysis of how meanings of research and method are created and subjectively held by academics in finance, and so the interview method was chosen, as interviews allow for sufficient exploration of context.

Parker et al (1998) represents a similar previous study, where the main aim was to explore the individually held beliefs about research by editors of accounting journals so as to explore the “social constructions” (371) of the research process, probing the role of research in academic work as well as feelings on the research process. to The study used semi-structured interviews to . Broadly consistent with the study of Parker et al (1998) the questions herein are designed to discuss participants' attitudes towards, and perceptions of, research in academic finance.

Since the main aim is to discuss the extent of methodological reflection amongst young finance scholars, the participants are all identified as early-career, or junior, academics. The sample was drawn from the top 30 institutions in the UK and a total of twenty early-career academics were asked to participate. Of this sample, however, only a total of five academics consented to participate, and subsequently a total of five interviews were conducted. Each interview lasted approximately 45 minutes and was prepared in the form of a semi-structured interview format - again following the approach of Parker et al (1998).

The structured aspect of the interviews related to a set of leading questions that formed the basis of a thematic outline present in all interviews. Such themes were in keeping with the methodological thrust of the study and leading questions related to participants' choice of method, their research trajectory and career path, as well as a discussion of the publication process and finally a reflective discussion of the methods, and methodological approaches, of finance. The unstructured aspect of the interviews allowed for some deviation from the intended thematic discussion, which uncovered unanticipated issues that were significant for each individual participant; this informed the study by focusing on these wider issues that are important in shaping each individual participant's attitudes and perceptions of the research process.

Findings and Discussion

Each interview, as noted above, followed a set of general themes proceeding in a semi-structured manner, which allowed deviations into wider issues and allowed for respondents to identify any additional issues related to their experiences and attitudes towards research finance. The general themes related to the personal history and research interests of each participant, followed by a discussion of the research approach and methods adopted. Subsequently, interviewees discussed issues related to publishing, and finally the interviews finished with dialogues on methodological reflection. The findings and analysis presented in this section will consequently follow the same thematic dissection.

Research history and approach

Turning attention to the interview findings, each participant was asked to identify their own research path in the context of academic finance, with each revealing that they felt their own research was indicative of mainstream inquiry. Next, questions were asked about the research approach taken by each participant - a typical example of research approach was offered by one participant (A3, Aug 2013):

"Ordinarily I would obtain a dataset for a particular stock exchange, clean the data, which can take longer than writing the results, and then [using software] run a series of tests... Once the tests are done I'll try to identify anything that doesn't look right, and either correct it and do the tests again, or I'll start to do some specific data tests to see if there's a problem with the dataset. Usually it turns out to be something wrong with my error term that I have to fix"

In this vignette, the common approach appears to start with data, rather than a specific problem or epistemological position. Indeed, the reliance upon data for research was common across each of the interviews, and in some cases the lack of any available data was seen as an inhibitor to doing research:

"I had this idea for a study some time, five, maybe four, no five years ago and I wanted to model data on seasonal effects in emerging economies and markets, because I thought that the effects would be more noticeable than in established markets. And I knew that I had a good chance of getting it published if I compared the effects against [New York Stock Exchange data], so I tried to download a dataset of stock returns for [several markets] and each time I opened the file I saw these massive holes in some columns... It was really frustrating because I had all the data I needed for the comparison, but I had nothing reliable enough for the emerging economies." (A1, Aug 2013)

Equally, as a lack of data can impact upon research plans of the respondent, one interviewee noted that collecting the 'right' data or obtaining the 'right' dataset could be a fruitful avenue for research, owing to the potential to generate numerous papers:

"with the right data, it's possible to examine a range of different factors or probable correlations... the word and space limits of journals can sometimes mean it's difficult to get a paper with a deep analysis accepted - this, simply, just provides an opportunity to split the analysis into smaller pieces or papers and you can end up three or four solid papers from the one dataset" (A5, Sep 2013).

Data, therefore, appears central to research plans as it can act as a barrier to successful completion of research, and it can also present opportunities for extend planned output. Further, the data discussed relates to quantitative data, which is present in datasets, implying that access to quantitative data can generate a range of potential different research papers.

Publishing pressures

A key aspect of research for the interviewees was the espoused need to publish research in journals, as opposed to practice-oriented notes or books. The questions began by asking participants to discuss their own publication history and future publishing plans. Generally, respondents had attained a mixed degree of success in their publication history. One of the common themes to emerge amongst the interviews was a dissatisfaction with peer reviewer comments. At best, participants highlighted their own annoyances with regard to changes being demanded; such annoyances included grammatical changes and restructuring the paper. In the worst cases, irritations extended to requests to change the method or mode of analysis usually to incorporate additional variables or to run additional tests using statistical software packages. The semi-structured framework allowed some deviation here and some method-related issues were discussed by each participant. A typical case of requested paper revisions is offered:

"I got the reviewers' comments back and I was quite surprised by the contradiction between the two reviewers. One reviewer said the paper was fine and only needed minor revisions, acknowledging some previous studies conducted in the 1960s and a stronger conclusion. But the second reviewer tore the paper to pieces, saying that I need to, and I should stress *need* here, that I *need* to do include additional variables in my regression model, because otherwise the paper adds nothing" (A3, Aug 2013)

In this case, the peer reviewer requested specific changes to the model being used by the participant. That this type of requested change was seen as a common issue across participants suggests that, in the experiences of respondents in the present study, that method-specific issues are common, and perhaps in some cases act as barriers to publication. To be sure, some researchers have broadly identified that some journals have a preference for particular methods or studies. McGoun and Frankfurter (1993) for example claim that the event study approach is popular amongst the three biggest, and by implication the most prestigious, journals in finance, and Reiter and Williams (2002) further note the link between positivist methods and the big three. Consequently, participants were asked about their preferred journals for publication, and if potential outlets affected their choice of research method. In each interview, participants admitted to some rudimentary form of precursory journal surveys aimed at identifying specific journal preferences for method, research perspective and style. The logic in such a task is to minimise the risk of rejection; this was also linked to perceived methodological biases held by the editorial boards of some journals[1]:

[1] Please note that any journals named by participants in this section have been removed so as to preserve anonymity of both participants and the journal. It is not the intention of this paper to name and shame, but to highlight specific issues faced by some researchers in finance.

"I feel there are expectations to do certain things for certain journals. let me tell you a story. When I submitted to [a high-ranking journal] I got an email from an editor within a few hours to let me know that my paper had been rejected. Honestly, it was a matter of hours. I've heard that's not unusual, but I was still shocked by the speed of the decision. There was an attachment with the email with some comments from the editor on the paper, which I thought was a nice gesture, but what could he possibly have written in that time that would be constructive? Well, as it happened, nothing. I was told that my paper was really weak. A better paper should have used completely different variables, and to put these variables into two separate models, each testing a specific aspect of a problem I wasn't even examining!" (A1, Aug 2013)

Here the frustration stems from the editor's perceived weakness of the participant's choice of model. Sadly, this is not an uncommon experience:

"The best rejection I got was a desk rejection that was sent within a day of submission... My paper was rejected because it wasn't an event study! I'm sure the reasons were more complex, but when I wrote to the editor for some more detail, and basically to plead with him to forward it to a reviewer, I didn't go nowhere. He just repeated the same point that an event study was the best for my paper. No further details about why, just a list of papers, obviously event studies, that had been published in the early 1990s in [the journal to which the paper was submitted]" (A5, Sep 2013)

The prevalence of event studies in past issues of the journal was seen to be instrumental in the decision to reject the paper, with the implication that engaging with both the suggested list of studies and indeed the event stud method would produce a paper more in-line with the output of the journal. Such advice, however, is not limited to rejections:

"I had this paper that I thought would fit with [a mid-ranking journal], but I had used a lot of international data and I expected it to be rejected without some comparison with US data. Sure enough the decision was revise and resubmit on the basis that I tweak the regression slightly and do some cross-border comparisons with US markets." (A2, Aug 2013)

From these findings, it would be possible to state that there appear to be some pressures to engage with certain methods to publish in some journals. In a benign interpretation, this is perhaps indicative of editors' efforts in their maintenance of perceived journal quality, or conversely poor editorial (and peer-review) practice. However, a more critical interpretation is also possible by linking this to the preservation of the ideological core of contemporary finance research, as discussed by some (Reiter and Williams, 2002; Williams, 2003; Frankfurter, 2007).

Methodological Reflection

Perhaps the most revealing insight was the indication from participants that they did not reflect in any depth on their own methodological approaches; one participant (A2, Aug 2013) related their own methodological choice to what they perceived as institutional best practice, claiming that finance research "just seems to be done that way." When asked about alternative approaches to their existing research, the participants exclaimed some bias against qualitative research, with common perceptions being that it is "weak" (A2, Aug 2013) or "not reliable enough" (A4, Sep 2013) in comparison to quantitative methods. To some extent this was followed by some ideologically-held beliefs about the nature of academic finance, which can be expressed in the following lengthy exchange:
"Respondent: When I started my PhD, I bought all of these *how to get a PhD* books and they were very general, talking about things like maintaining a diary... but nothing I felt was relevant to me in finance.

You know, finance is like a sub-field of economics, and some of the chapters in those books, the chapters talking about the *how to do research* and the all the differences between quantitative and qualitative, induction and deduction, and all of that, and well it didn't sit right with me. There's a kind of expectation in finance and economics that research should be done in a certain way, you know?

Interviewer: I wonder if you could say a bit more about that, or if you could give an example of this expectation?
Respondent: [hesitation] Well, I mean, there is a seriously strong tradition of econometrics in finance which we've built up over the years, and I think there's an expectation that any PhD in finance should be empirical and should contribute to the field." (A4, Sep 2013)These preferences towards quantitative research are, broadly, indicative of a perceived trend in academic finance where commentators view qualitative research as an under-represented area and method (Ardalan, 2008; Frankfurter, 2007).

Going further, there are some within finance who also view the insistence of quantitative method as an ideological move, rather than a methodological one (see Frankfurter, 2007). Whilst it is not clear that this is the motivation of research participants in this sample, there are some suggestions that participants did hold some ideological bias against particular empirical methods, recounting ideas expressed by some (McGoun and Frankfurter, 1999; Frankfurter, 2007; Mirowski, 2013) that finance is closely related to the 'science' of economics. This can be expressed in the following quotes:

"To me, the techniques and all of the models and formulas, and the basics in finance come from economics… my first degree is in economics and the statistical work that I do know I was trained in before I started my PhD in finance. It all comes from economics: you know, the data tests, reliability, correlations; all of that, I think, comes to finance from economics. Maybe there is less of an emphasis on the science of economics in finance, but it's definitely there in the models and the studies. Especially event studies – you know, to me, these are like lab tests. " (A2, Aug 2013)

"Finance is a strong field. It has enough robust method to be seen as an independent discipline, this stuff [the qualitative research approaches discussed in the interview] that we're talking about now is ok for something like management, cos there are problems, real problems, that can't be analysed by numbers. I mean, yeah, sure, profits and sales and costs can, and probably are, used to judge how good a manager is at his job, but in management there are more, kinda, fuzzy areas, you know. Like, it's more nuanced than finance and it's more like an art. Yeah, management is more like an art, and finance is more like a science. For science the methods need to be reliable and robust, and I don't see the methods that are popular in management applying to finance. Unless you are looking at things like insider trading because there's very little data on that, and I can see interviews being useful there, but they wouldn't be reliable as say something like an observation, a measure, of how many insider trades were conducted." (A4, Sep 2013)

In the first quote, the participant identifies economics almost as a parental influence in the development of finance, and equates economics with science in respect to the methods employed. And the second quote furthers this by comparing the perceived methods of finance against those of management; for the respondent, finance is, unquestionably, a science and that pronouncement requires finance to have more science-like methods. Whilst the respondent did not engage in the same identification of the economic parentage of finance, the rhetorical supposition of finance as a science was evident. As noted above, these cannot be taken to be indicative of a wider ideological position, but they do point towards the maintenance of a particular ideology within finance that privileges quantitative methods above qualitative, particularly with respect to the stress on event studies.

As an area of research, event studies are popular within finance, wherein a fundamental use of event study method has been to examine how stock prices can be affected by particular events such as earning announcements or regulatory changes in accounting standards (for an overview see Binder, 1998). However, the epistemological approach of event studies are debated, with McGoun and Frankfurter (1993) claiming that there is a difference between economic significance of an event study and the epistemological significance, and the drive towards practical value of event studies (hence economic significance) often supersedes the scientific value of event studies (or the epistemological significance) and as a consequence the mobilisation of event studies in finance is not in line with a scientific approach to knowledge creation. Rather, it appears to be rooted deeply in concerns of method and practical value or significance. This is further stressed when paired with issues raised by participants above on data access, and implies that successful research in finance is that which is able to demonstrate a practical significance that stems from practically-relevant (quantitative) data.

Lack of Qualitative Studies

When asked directly about why the respondents have not engaged in qualitative research approaches in previous studies, they tended to stress concerns over a perceived lack of reliability in using qualitative approaches, signalling also an adherence to the discipline-wide discernment that quantitative approaches are value-neutral (cf McGoun and Frankfurter, 1999), and that qualitative research includes a greater degree of subjectivity and hence includes value judgements:

"You can't test a hypothesis if you intervene and influence the data collection process, and I get the feeling that interviews involve a lot of researcher involvement, you know at a lot of stages of research like actually collecting the data.

I read a case study once, it's about managers at a bank somewhere in Spain or Portugal or, you know it doesn't really matter where, right? The case was built on analysing interviews with some sociology, and I remember thinking that, at the exact moment I read that sentence [on the use of sociology in method] I thought - there's no way this can be objective. I mean, the mode of analysis was already chosen before the data had even been collected. There's no way, no way at all, that that researcher asking questions in the interviews was objective!" (A3, Aug 2013)

In addition to this, it was felt that, amongst three of the participants, the use of qualitative research is inappropriate for finance. Two quotes from these participants are included: "I think back to my time as a doctoral student, and I was in one of those research methodology classes... There was one idea that I remember - that qualitative research is for exploring general themes and quantitative research is about examining specific theories." (A2, Aug 2013)

"I can understand how management would benefit from extensive qualitative method. But finance? The scope of management is much broader than finance. There's more to consider with management, all this recent stuff with changes to the employment laws and that, there's a lot of issues to explore. That's not saying that finance is small or ill-defined. The opposite in fact. I'd say finance is quite broad and we need to generate useful research that helps on some practical level. That means making our findings general. Managers will approach issues in different ways, and I think motivation and problem solving and target setting and stuff will be dealt with in about a hundred different ways. Interviewing managers will give some scope for exploring the range of different ways that managers can manage people, but that won't be useful for anyone reading the research. Not even managers." (A4, Sep 2013)

From this, two points arise: firstly, that participants asserted the lack of qualitative research in finance stems from the inclusion of value judgements in data collection and analysis, which makes research findings not as objective as 'value-neutral' processes of quantitative research. Secondly, there is an implication that quantitative research reveals more than qualitative approaches – drawing on the quotes above, interviews are argued as only collecting specific amounts of data relating to certain themes, whilst almost all financial activity can be quantified and hence amenable to interpretation and analysis. By implication, any differences between individual cases or individual forms of financial activity are unimportant – or at least important in the context of management studies where differences and contextual details emerge as important and are stressed in the findings of research. This idea that "...you can't really generalise with interviews and case studies and even surveys" (A5, Sep 2013) reveals much of the ideological pronouncements of the methods of finance (cf McGoun and Frankfurter, 1999) whereby the epistemological and ontological bases hold that there is a simple causal model of financial outcomes which is the result of observable human activity; activity which is subsequent apprehendable through statistical measurement and analysis. This assumption of measurement renders any wider behavioural motivations as inconsequential as the cause and effect mechanism of positivistic financial method focuses only on the desire for preferred financial outcomes.

Analysis and Conclusion

Reflecting upon the state of research in finance, some researchers have previously theorised that the dominance of positivist approaches in finance are coercing young scholars towards the adoption of similar positivist research methods, such claims are, however, unexplored in the literature. The central aim of this paper is to explore such claims through a sustained discussion of research methodology in finance with early-career, or young, academics.Previous research has indicated that the dominance of positivism is linked to perceived disciplinary-wide ideological values on the nature of research (see Frankfurter, 2007), the interviews herein highlight that such issues are indeed present in the perceptions of respondents.

However, it is not explicit to what extent participants are aware of the ideological aspects of method that are theorised in previous studies. For the most part, these concerns seemed to extend to considerations over the reliability of quantitative method, over qualitative approaches, such that quantitative methods are seen as more valuable for finance research. This emphasis upon value-free or value-neutral research as stressed by the use of quantitative methods in finance also indicates an ideological position linked to positivism that asserts the objective and external existence of market structures and systems (cf Ardalan, 2008); this position also de-politicises the nature of market systems (cf Tinker et al, 1982) by affirming that finance is an objective practice. The acknowledgement that reliance upon quantitative data and positivist methods could secure access to more prestigious journals also points to some explanation as to the widespread adoption of positivism in finance.

This finding corroborates much of the fears expressed by Frankfurter (2000; 2007) that since journal publications are increasingly linked to career promotions that younger academics are inclined to adopt positivist methods. This is also reinforced by participants' construction of the notion of quality which is, to some extent, manufactured by the same prestigious journals that publish positivist research.

These interviews are only representative of a small group of finance academics, but the findings point to a continued dominance of positivism in finance. Findings have also suggested that methodological choices in finance are influenced not only by concerns over method, but by some aspects of ideology, which is deeply entrenched in the theoretical underpinnings of contemporary finance. Consistent with others, such as Reiter and Williams (2002) and Frankfurter (2000; 2007), it would be possible to argue that this is related to the efforts of an academic elite that influences the research process in finance, and hence coerces younger academics to adopt positivist approaches so as to advance their career. However, I think that, this does highlight the need for future research.

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Appendix: Table of interviewees

Code	Interview Date	Position
A1	August 2013	Lecturer
A2	August 2013	Post-Doctoral Research Position
A3	August 2013	Lecturer
A4	September 2013	Lecturer
A5	September 2013	Post-Doctoral Research Position