

Accounting and decision making (1995-)

Program Description

Our research program “Accounting and Decision making” covers the area of Financial Accounting, Management Accounting & Control, and Auditing.

- Title of the program: Accounting and Decision Making
- Research area and mission: Accounting and Auditing. The general aim of this programme is to explain choices made by organizations in the design of their internal and external reporting systems.
- Program leader: Prof.dr. Tom L.C.M. Groot
- Starting date of the program: 1990
- Formal affiliations: Limperg Institute (PhD program in Accounting), Tinbergen Institute (PhD training)

The *Financial Accounting* sub-programme has a historical and institutional focus, and considers two aspects of financial reporting in particular: (1) the development of financial reporting practice in interaction between reporting companies and users of financial statements; and (2) the development of the institutional framework of financial reporting, including accounting standards and the auditing profession.

The *Management Accounting & Control* sub-programme looks at the organizations' internal reporting systems and tries to answer three different questions: (1) what information do firms use to measure and assess performance of their units and managers?, (2) what management control systems are being developed in non-profit and governmental organizations and how effective are they?, and (3) what role does accounting information play in strategic alliances between independent companies?

The *Auditing* sub-program investigates how auditors verify corporate accounting data and how this leads to a final judgement about the quality of the financial statements. Audit quality is the main theme in this program, which is worked out in two directions: the quality of auditor's judgements and the quality of audit programs.

Due to the wide variety in subjects, the research methods applied are widely varied and include case studies, archival studies, longitudinal data analyses, surveys and (semi-)controlled experiments. Our program has a formal association with the Limperg Institute program in Accounting research and with the Tinbergen Institute. We maintain several working relationships with academic research groups outside The Netherlands, but none of them has the status of a “formal affiliation.”

B.1 Leadership

Programme coordinator: Prof.dr. Tom L.C.M Groot

The program coordinator has final responsibility for program contents, progress and performance. He is also responsible for the daily coordination of the Management Accounting and Auditing Research programs. Prof.dr. Kees Camfferman coordinates the Financial Accounting research program. We are currently working on a new structure, in which we will have a full professor for each of the subprograms: one for Management Accounting, one for

Financial Accounting and one for Auditing research. We hope to have the new structure effective from 2008 onwards.

B.2 Strategy and Policy

The first VSNU assessment (1995) of this program covering the period 1990-1994 was critical (quality 2, productivity 3, relevance 2, viability 2) and suggested three avenues for improving the program: (a) seek a closer connection with the international research community; (b) recruit a larger number of full-time researchers; and (c) expand the program's presence in international networks (VSNU, 1995, p. 89). The total research time available in 1995 was about 2.4 fte.

In response to the above recommendations, we created our research center ARCA (*Amsterdam Research Center in Accounting*) in September 1998. ARCA was meant to make our research and our researchers more visible within and outside the research community, to help us attracting research funds from the academic community and from practice, and to create more coherence within the research group. ARCA received a three-year budget from the faculty and some financial support from the postgraduate Controllars program. Throughout the whole period, from 1998 onwards, ARCA received a yearly and considerable budget from the postgraduate CPA program. We also started doing commissioned research on a small scale, and only for those projects that appeared to fit well into our research program. These policy changes led to a more positive external evaluation of our performance during the years 1995-2000 (quality 3, productivity 3, relevance 4, viability 2). The size of the research program was at that time 4.91 fte. The committee acknowledged that the group had some success in improving quality, productivity and international visibility. However, it also considered this improvement to be fragile, for two reasons. The first is that most of the improvements have been generated in the Management and Financial Accounting programs, leaving behind the Auditing program. And secondly: the program's future strongly depends on the retention of successful researchers, as they are becoming more marketable (VSNU, 2002, p. 131).

In the last seven years, we have continued to strengthen our program by intensifying our efforts on the following strategic priorities:

1. We have worked on an active promotion program for our successful researchers in order to provide them sufficient opportunities to pursue their academic careers. Currently we have granted three associate professorship positions and are working on the establishment of three research full-professorships, forming a joint management team for ARCA.
2. Within our research group, we intensified and expanded the ARCA seminar series and Friday-afternoon workshops (work sessions for PhD students in their early stages), encouraging the exchange of research ideas and the discussion of research papers.
3. The training of existing and new incoming researchers has been even more focused on the improvement of research methods, like Structural Equation Modeling, Partial Least Squares, Computer Aided Qualitative Data Analysis Systems, and deterministic (Data Envelopment Analysis) as well as stochastic Frontier Analysis Techniques. Our aim remains to have a group that is capable of doing both quantitative and qualitative research.
4. We intensified our exchange program, in which ARCA researchers visit for a longer period universities abroad and in which we receive international visitors for shorter and longer terms at the department (see for a detailed overview Appendix 1). Most notably are corporations

with Rice University (Zeff and Anderson), University of Melbourne (Lillis) and University of Boulder (Selto).

5. The Auditing program has received additional attention and support. The program director has also acted as program leader for the Auditing program. A larger part of the ARCA funds have been invested in recruiting PhD students in Auditing. This has led to three PhD students graduating in the period 2005-2007, and two more PhD students to graduate in 2008 and 2009.

The research program and ARCA are embedded in our department Accounting. The number of staff positions in our department has increased in recent years, mainly because of the start of new bachelor programs (in Economics and Business Administration) and of a new scientific master program *Accounting and Control*. For the last three years, our department has worked jointly with the Accountancy department (i.e. the postgraduate CPA programme) to offer this scientific master in a part time version, available for assistant auditors who want to study for the CPA qualification while working in practice. Especially this program has attracted many new students, all paying market-based tuition fees. The Accountancy department is the residual claimant, reimbursing the Accounting department for teaching hours including a mark-up for research. From 2007 onwards, this new money is also invested in the ARCA group, opening up more possibilities to attract researchers. We hired two senior accounting researchers in 2007 who are actively publishing internationally. They reinforce our group by strengthening our economics-based accounting research and by supervising new PhD-students.

B.3 Processes in research, internal and external collaboration

All PhD-students have one or more supervisors who are responsible for the student's progress. PhD-students and senior researchers are stimulated to work closely together, which is supported by the following activities in ARCA:

- New PhD-students are stimulated to communicate and discuss their research plans in an early state of development in our Friday-afternoon workshops.
- Research projects in a more advanced state are presented and discussed in our ARCA lunch seminars, which are organized on a two-weekly basis. These seminars are also visited by many colleagues from other Dutch universities.
- After the empirical part of the project is concluded and the PhD-student is working on the analysis of the data, we provide opportunities for the student to be abroad for several months in a research group active in his research area.
- We try to maintain several working relations with researchers abroad, which means that we have visitors on a regular basis who share ideas with our researchers;
- Our researchers are stimulated to undertake collaborative work with other researchers inside and outside our group. This has improved the productivity and quality of individual researchers and of the group as a whole.
- Our group operates under the output assessment and reward system of the faculty, which means that the research output is evaluated on an individual basis, leading to individual rewards for publications. It is our impression that this output system has led to an increase in both productivity and quality of research output.
- ARCA maintains good relationships with relevant professional bodies in practice that regularly provide us with research data (like the National Hospital Association) or with the opportunity to collect data among their membership (like the Controllers Institute).

- Substantial investments have been made for the acquisition of new data sources, like SDC Platinum and Boardex, to support research projects.

The sub-program themes are seen as priority areas in the further development of the program, but are by no means regarded as strict guidelines or limitations. Researchers are relatively free to develop new research topics or to enter new research areas (see later).

The academic training of the PhD-students has improved considerably, mainly because of the start of a nation-wide PhD training program launched by the Limperg Institute. This launch was initiated by Tom Groot in the year 2000 and the PhD-program started effectively in 2003. Tom Groot was at that time and still is the Chairman of the Board of the Limperg Institute. The operational coordination of the program is in hands of Prof.dr. Jan Bouwens of Tilburg University. All PhD-students of the VU are required to participate in all courses offered by the LI-PhD program. This program consists of courses in Management Accounting Research, Financial Accounting Research, Audit Research, Capital Market Research, Experimental Research, and Research in Accounting Information systems. Each student is furthermore required to follow courses in research methodology, quantitative methods and statistics. Kees Camfferman is responsible for planning and supervising the training program for PhD students in Financial Accounting, and Tom Groot is responsible for the students in the Management Accounting and Auditing programs.

B.4 Academic reputation

In our view, the academic reputation of our group has steadily grown since we created ARCA in 1998. In recent years, this was mainly caused by several publications in international reputable journals, and strong presence at international conferences (e.g. MAS, AAA, GMARS). We think our reputation may grow even further in the future as we reach a more balanced composition of our staff positions in which relatively more positions will be occupied by senior researchers. We assess our reputation by three measures: memberships in editorial boards, acting as reviewer, prizes received, and invitations for guest lectures, presentations and special research projects.

Editorial Board memberships

The number of editorial board memberships has increased to 6:

Kees Camfferman: The European Accounting Review, Accounting in Europe;

Henri Dekker: Accounting, Organizations and Society;

Tom Groot: Journal of Management Accounting Research, Management Accounting Research, Advances in Management Accounting).

Ad hoc invitations as a reviewer

The number of ad hoc review invitations was even higher and also distributed among more researchers in our group:

Henri Dekker: Organization Studies, Management Science, International Journal of Production Economics;

Eelke Wiersma: Journal of Purchasing and Supply Management;

Tjerk Budding: Financial Accountability and Management;

Tom Groot: The Scandinavian Journal of Management, Financial Accountability and Management).

Prizes received

Professor Kees Camfferman won the best paper prize, called the *Basil Yamey Prize*, for his paper “The apotheosis of holding company reporting: Unilever’s financial reporting innovations from the 1920s to the 1940s” published in *Accounting, Business and Financial History* in the year 2003.

In the same year, Dr. Henri Dekker received the best paper award from the journal *Management Accounting Research* for his paper “Value Chain analysis in interfirm relationships: a field study.”

In the same year Henri Dekker received the outstanding paper award from the MAS section of the American Accounting Association.

Invitations to act as guest lecture

Our group received the following invitations to lecture and examine abroad:

- Henri Dekker (London School of Economics, London, Fall 2006),
- Paul Claes (Universidad de Cadiz, Spain, 2005),
- Kees Camfferman (University College, Dublin, 2007).
- Tom Groot (HEC Nice, joint PhD-program with the Université de Toulon)

The following invitations have been received to act as research fellow:

- Henri Dekker was a visiting scholar at the University of Melbourne, Australia, in 2007,
- Tom Groot was appointed Inaugural Don Trow Research Fellow at Victoria University in Wellington, New Zealand, in 2006.

In the years 2001-2003 Tom Groot, jointly with John Christensen of the Copenhagen Business School, co-organized and lectured the European Accounting Association’s Doctoral Colloquium. Henri Dekker acted as key note speaker at the EIASM New Directions in Management Accounting Research Conference in Brussels, and in 2007 as key note speaker of the annual CIMA research conference. He acted as research faculty and speaker at the AAA Management Accounting Doctoral Colloquium in 2008.

In 2002, Kees Camfferman, jointly with Stephen A. Zeff, was commissioned by the International Accounting Standards Board (IASB) to write, to academic standards, a history of its predecessor body, the International Accounting Standards Committee (IASC).

In 2003 Tom Groot was invited key note speaker at the AFAANZ conference in Alice Springs, Australia. On that occasion, he was also faculty member at the AFAANZ Doctoral Colloquium.

B.5 Internal evaluation and analysis, perspectives and expectations for the research program

During the last seven years we have had several PhD-students graduating and we gradually expanded the research group. Both size and composition (starting versus experienced researchers) of the group are improving and we expect to have reached sufficient critical mass in 2007. This should enable us to be (even) more productive in the years to come.

The faculty has been very supportive to our program by putting the right incentives in place and assisting in getting productive researchers promoted. The faculty’s incentive system consists of the allocation of research time based on the number and quality of publications realized in the

past five years. The list of journals and publishers used is reasonably balanced for our group: it provides enough opportunities for our researchers to get their accomplishments rewarded and to earn substantial research time.

Most of our investments in research however, do not come from the faculty but come from additional funds from ARCA. If we had not had access to these additional funds, it would have been extremely difficult to build up the group to the level where it currently is. We therefore hope to be able to count on these additional resources for our research program in the future. As long as we will have a successful part-time program in Accounting and Control, these funds are reasonably secured.

All in all, we think that this program is on the right track. Given the recent past in which we had a relatively high number of starting researchers, most of the output is yet to get published. In the future we expect to reach a higher and stable number of yearly research output.

B.6 External validation

Our position outside the academic community is not very visible since we stopped our commissioned research activities in 2001. Some of our senior researchers have positions outside academia that connect our activities with society and which in some cases also lead to applied research activities. Some examples are the following:

Kees Camfferman has been one of the three editors of the 2003-2006 editions of the NIVRA's (Netherlands Institute of Registered Auditors) annual survey of financial reporting practices, *Het Jaar Verslagen*.

Tjerk Budding is coordinator of the postgraduate program Public Controlling and in this position he interacts intensively with the financial managers in the nonprofit and governmental sector. For that matter he regularly publishes in *Public Controlling*, a recently established professional journal for Dutch financial managers in the nonprofit and public sector.

Tom Groot is chairman of the Scientific Economic Council of the development and implementation of the new financing system (Diagnosis-Treatment Combinations) in Dutch hospitals. ARCA conducts several special studies in this area to assist the council in its advisory role. During the evaluation period, Tom Groot was also member of the Board of FINEM, the Dutch association of Financial Managers.

Jan-Bernd Huizing, Martijn Schoute, Henri Dekker and Eelke Wiersma have regular publications in *Management Control and Accounting*, a professional journal that is widely read among Dutch management accountants and controllers.

B.7 Researchers and other personnel

PhD-students are hired from applicants to vacancies provided by the faculty. This source of PhD-students has recently dried up. We now hire PhD-students on ARCA-funds, or financed by other organizations, like private firms (mainly accountancy firms) or government agencies (stipendia for PhD-training abroad). The quality of every new PhD-student is evaluated by the faculty AIO commission. Once accepted, each PhD-student receives training in research methodology, following parts of the Tinbergen Institute PhD-program, and in research in accounting, which is offered by the Limperg Institute. PhD-students must provide a research plan at the end for the

first year, presenting a literature review, fully developed research questions and a detailed research plan, explaining the data that will be used, the research methodology followed and possible data analysis outcomes that can be expected.

PhD-students as well as other researchers are encouraged to share their ideas. We support this exchange of ideas in two ways: by organizing Friday-afternoon workshops and ARCA lunch seminars. The Friday-afternoon workshops are meant for discussing research ideas and research projects in early stages of development. They are only open to members of our research group. The Friday-afternoon workshops are irregularly scheduled upon request. ARCA lunch seminars are organized every two weeks and are also open to colleagues from other departments or other universities. During the ARCA lunch seminars, papers in a more advanced stage are presented. Presenters can be members of our own research group or colleagues from outside our group. Increasingly, we receive requests from colleagues in Accounting groups in other universities to present their work in our ARCA lunch seminars. We therefore decided to increase our one-month frequency to a two-weeks frequency.

Table 4: Research staff at program level

Name and present title

Full Professors	Prof.dr. C. Camfferman Prof.dr. T.L.C.M. Groot
Associate professors	Dr.H.C. Dekker
Assistant professors	Drs. P.W. Boone Dr. G.T. Budding Dr. P.C.M. Claes Dr. P.A. Ledebøer Drs. M. Schoute Dr. Z. Sasovova Drs. E. Wiersma
Total tenure staff	Drs. R. Boterenbrood Dr. E. Broeze Dr. Y. Kuang Drs. L. M. Quadackers Drs. P.J.W. Struive Drs. E. de With
PhD Student	Drs. H. van Hengel
Visiting Scholar	S. Essa MBS