# LSE *Accounting*

**Magazine of the Department of Accounting at LSE**

Issue 8 – 2017/18

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- **Harmonising Accounting Standards**
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LSE Department of Accounting


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**LSE Accounting – Issue 8** is published by the Department of Accounting, The London School of Economics and Political Science
Houghton Street, London WC2A 2AE
Website: **lse.ac.uk/accounting**

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Design: LSE Design Unit (**lse.ac.uk/designunit**)



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LSE Department of Accounting

# *Accounting Matters*

As I am writing this column, *The Economist* Espresso published "Nothing Matters" (Sept. 16, 2017). This obviously rang a bell about my own column here which I have been calling "Accounting Matters" ever since I started writing it annually for some years now for this magazine. *The Economist's* "Nothing Matters" Espresso tidbit was about mathematics; not accounting (not that I would have expected it to be). The "nothing" referred to "absence" which in mathematics is "zero" and thus the article muses on the origins of the "symbol", "placeholder", or shall we just say, "digit" zero. Anyhow, the short article concludes with a philosophical closing that "it takes real vision to see what isn't there."

**By Wim A Van der Stede**
Head of Department of Accounting

Stretching this to accounting, it also takes at least some imagination (if not real vision) to see where accounting is, or lurks, even though one might not think so, or one might not necessarily see it (easily). Would anyone, for example, think of risk management as accounting? Corporate governance? Organisational control? Commission trading? Impact investing? And so on. Of course, risk management, corporate governance, organisational control, etc. are not accounting *per se*, but they are hard to imagine without accounting. And that is what the Department of Accounting at LSE has always had a vision and passion about: how accounting is embedded into, and enables and shapes, and even makes possible, a broad range of organisational and institutional arrangements quintessential to the functioning of the economy and society that would be hard to imagine without it, not just as a technical matter, say, but also, and especially, as a means to establish *accountability*.

This edition of the Magazine, unsurprisingly, illustrates this in spades. We have features on the research, teaching and public engagement by colleagues in our department on risk management, risk culture, and "riskwork"; measuring social impact; the state and effects of harmonising accounting standards globally; financial management in technology startups; government and sectoral regulation; the use of "facts" (numerical statements, "accounting") in political discourse; "new" management accounting practices; commission trading in the 16th Century; and much more. Did anyone fail to see the accounting?

And we also have the usual honors, prizes, awards, publications, seminars, and other accomplishments of our students and faculty, a real delight to see in such abundance. Please have a look, and please partake, in whatever role, in the delivery or fruits of the department's education, research, public engagement, and discourse of accounting—in everything it is and for everything it makes possible, but also everything it is being shaped by—because "Accounting Matters".

# *Academic Honours*

### Professor Peter Pope conferred as Fellow of the Academy of Social Sciences

The Academy of Social Sciences conferred the award of Fellow to 84 leading social scientists including Professor Peter Pope. Professor Pope (pictured left) has been recognised as an intellectual leader in the area of market-based accounting and finance. The new Fellows are drawn from across the spectrum of academia, practitioners and policymakers. They have been recognised after an extensive process of peer review for the excellence and impact of their work through the use of social science for public benefit.

Announcing the conferment, Professor Roger Goodman, Chair of the Academy, said "I am delighted that we have been able to confer a Fellowship on all these eminent social scientists. It is particularly gratifying to include a larger number of economists, policy makers and practitioners on this occasion. This is a result of our work to see representation from these areas increased to maintain balance between the individual disciplines and between academics and those working in the policy and practice communities. This gives the Academy legitimacy to speak on behalf of the social science community as a whole."

### Professor Michael Power is the first accounting academic to be elected to the British Academy

In recognition of his outstanding contribution and research in accounting and social science, Professor Michael Power was elected to join the 1,000-strong British Academy Fellowship - the UK's national body for the humanities and social sciences.

Professor of Accounting, Michael Power, said "As the first accounting academic to be elected to the British Academy, this is a wonderful honour for me personally. More importantly, it is also recognition for the field of sociologically-oriented accounting research which was established at LSE several decades ago, and which now has so many vibrant connections to the wider social sciences and humanities."

### American Accounting Association Notable Contribution to Management Accounting Literature Award 2017

Professor Wim A Van der Stede has been awarded the AAA Notable Contribution to Management Accounting Literature Award, given at this year's AAA Annual Meeting in San Diego (2017) for his article on Earnings Targets and Annual Bonus Incentives in *The Accounting Review* (2014) with Raffi Indjejikian, Michal Matějka and Ken Merchant.

Wim also won this award in 2007 for his co-authored study on Subjectivity in Incentives in *The Accounting Review* (2004).

Professor Van der Stede has also been elected to the AAA Board of Directors as a Director Focusing on International for a three-year term starting in August at the 2017 Annual Meeting in San Diego.

# *A New Financial Lens for Tech Start-ups*


Tech *Start-ups*

**Professor Bhimani's** new book *Financial Management for Technology Start-Ups* (Kogan Page, 2017) brings together scholarly research, cases studies, digital business thinking, tech-investor documentation and all the accounting knowledge available today to enable tech start-ups to be equipped with a new form of financial intelligence.

What motivated writing the book is that we find ourselves today at the start of an industrial revolution. There have been others of course. The first revolution happened 250 years ago with the rise of mechanisation. Another, about a hundred years ago, was ushered in by electrification and mass production. Then 50 years ago, electronics and automation started a third revolution. Right now, our physical and virtual worlds are converging. This is revolutionary because the ways in which we produce, consume, move, communicate and interact are being transformed. What's different is that whilst the first three revolutions were ongoing, few people understood the scale of changes taking place. But today, we know we inhabit a period of epochal change. This means we can influence the direction of the revolution that has begun. And of course, seeing new ways of coupling digital technologies with economic exchanges implies commercial opportunities – and some start-ups doing this right now will become the tech titans of tomorrow.

Creating value out of tech ideas does not have to be complex or resource intensive. For instance, one could combine Google's capacity to unleash information with accessing one fifth of the globe's population via Facebook. This, complemented with the ready availability of cheap web services, coding input and the many possibilities for developing ad content, puts into position all that is required to create one tech-based business form. Many other models exist of course. But, what is not always understood is that tech business success rests on a particular approach to financial management. Successful tech entrepreneurs home in on accounting and financial strategies that underpin enterprise cost structures and business objectives. Tech start-ups also need financial and other performance metrics to be communicated to investors.

But why is it that tech-businesses require a different form of accounting input? The book argues that experience over the past two decades has made it evident that in the tech world there is no set way of doing things. At the heart of technological change lies disruption. Bhimani illustrates for instance the focus of tech firms on demand. Some technological innovations create and then expand networks. The growth of networks can become self-reinforcing, because users get value out of connections and so connections grow. The larger user base in the network increases demand for the product, which in turn fuels more network expansion and demand. Sometimes, networks connect with other networks creating even more value. If business transactions grow because networks expand in many directions and defy linear pathways, then there's no point using financial intelligence that only focuses on supply and on linear paths of value creation as do traditional accounting systems. Bhimani also shows in the book that tech start-ups need to continuously experiment to innovate. They are not like traditional business ventures, where resources needed to serve a market segment for a product are pre-planned and budgeted for. There is no such certainty because the tech product-market fit evolves continuously. A tech firm may want to test out an altered product angle, toy with a new website feature, explore building relationships with influencers, try out a differentiated pricing scheme, play around with a mobile-responsive template, assess novel organic tactics to increase online traffic, and so on. Some experiments will have tiny business repercussions, while others could unleash strategic-level changes. From a financial viewpoint, specific ways to track activities that help determine what actions to take, and when to do so are required. What's essential is that accounting information must help start-ups engage specific manoeuvres through close tracking and monitoring of experimental business activities.

Bhimani investigates and outlines many other ways in which tech start-ups differ from traditional firms and why digital business models today make essential a more focused financial management lens. His new book has analysed prior research, tech business experiences and practical case studies to bring together the fundamentals of this new lens.

# *Harmonising Accounting Standards Across the Globe*

**Xi Li**
Associate Professor of Accounting, LSE

## Ten years after the EU adopted IFRS, researchers review the evidence of its effects on firms and markets, writes Xi Li

This year marks the 12th anniversary since the European Union (EU) mandated International Financial Reporting Standards (IFRS) for all companies listed on the main European stock exchanges. Since its adoption by the EU in 2005, IFRS has had supporters and critics. Currently, over 100 countries are requiring their listed firms to prepare financial reports either under IFRS or under a closely linked accounting standard. The simultaneous mandatory adoption of IFRS by many countries has provided empirical researchers with an unprecedented natural experiment on the consequences of accounting standard setting and how these consequences vary across institutional and legal regimes.

However, its effects on academic research have gone beyond simply providing a useful context for researchers. The adoption of IFRS has also kindled interest in cross-country accounting research and provided an opportunity for greater involvement of researchers from across the globe. Not surprisingly, a vast literature has emerged. Now, with hindsight of over ten years, we briefly review the academic literature in accounting to better understand the consequences of the global harmonisation of accounting standards.

Our review aims to cohesively evaluate the empirical archival evidence on how IFRS adoption affects capital markets as well as firms' financial reporting quality, corporate decision making, stewardship and governance, debt contracting, and auditing. Our review emphasises similarities and differences across the various studies, not only in terms of their findings and conclusions, but also in their hypothesis development and methodological and sample choices. In addition, we also provide detailed discussions of research design choices and empirical issues with which researchers have grappled when evaluating IFRS adoption effects.

If we had to summarise the literature, the majority of early studies paint IFRS as bringing significant benefits to adopting firms and countries in terms of (i) improved financial reporting transparency, (ii) lower costs of capital, (iii) increased cross-border investing, (iv) better comparability of financial reports, and (v) increased following by foreign analysts. However, these benefits appear to vary significantly across firms and countries. More recent studies now attribute at least some of the earlier documented benefits to factors other than adopting new accounting standards per se, such as concurrent changes in reporting enforcement. Other recent studies examining the effects of IFRS on the inclusion of accounting numbers in formal contracts (which we refer to as the contracting role of accounting) point out that IFRS has lowered the contractibility of accounting numbers. Specifically, our review reveals the following insights:

- Mandatory IFRS adoption has improved the association between accounting numbers and stock prices (ie, value relevance), but at the same time has also increased earnings management by firms. IFRS-adopting firms tend to have more income smoothing, more reporting of aggressive earnings, and delayed recognition of losses.
- By harmonising accounting standards across countries, IFRS adoption has improved comparability of listed firms' financial reports across countries, but has worsened comparability of listed firms' financial reports with those of domestic non-IFRS firms (such as EU private firms). Also, IFRS adoption is not sufficient to achieve full comparability of financial reports across firms.

- Cross-country studies document that voluntary IFRS adoptions improve firms' financial reporting quality. But results based on analysis of voluntary adopters need to be cautiously interpreted due to potential biases associated with these firms self-selecting to report under IFRS.
- Early studies on the effects of IFRS adoption find that stock liquidity increases and cost of equity capital decreases following mandatory IFRS adoption. However, recent studies point out that these benefits occur only in countries that change enforcement concurrently with IFRS adoption. Therefore, it is unclear whether IFRS adoption alone would have achieved these capital market benefits.
- There is consistent evidence that IFRS adoption triggers greater interest from foreign investors and foreign analysts.
- IFRS adoption has improved investment efficiency, especially for cross-border transactions and has also increased cross-border flow of capital. Studies generally attribute these findings to improved transparency and comparability under IFRS.
- Firms and lenders are more reluctant to use accounting-based covenants in debt contracts following IFRS adoption. Researchers attribute this finding to increased usage of fair value accounting and managerial discretion, leading to a less useful contracting role of IFRS numbers in debt markets.
- Greater comparability of IFRS financial reports across countries has increased reliance on foreign firms for relative performance evaluation in executive compensation and executive retention decisions.
- The principles-based and fair-value-oriented nature of IFRS has increased the effort needed to audit firms' financial reports, leading to greater audit fees.
- There is substantial variation in empirical research design across studies, which impedes reconciliations of differences in findings and conclusions across these studies.

This article is based on "A Review of the IFRS Adoption Literature" (with Emmanuel De George and Lakshmanan Shivakumar), *Review of Accounting Studies* (2016).

# *carr News*

## The Centre for Analysis of Risk and Regulation (carr) has maintained its high profile activities throughout the past academic year

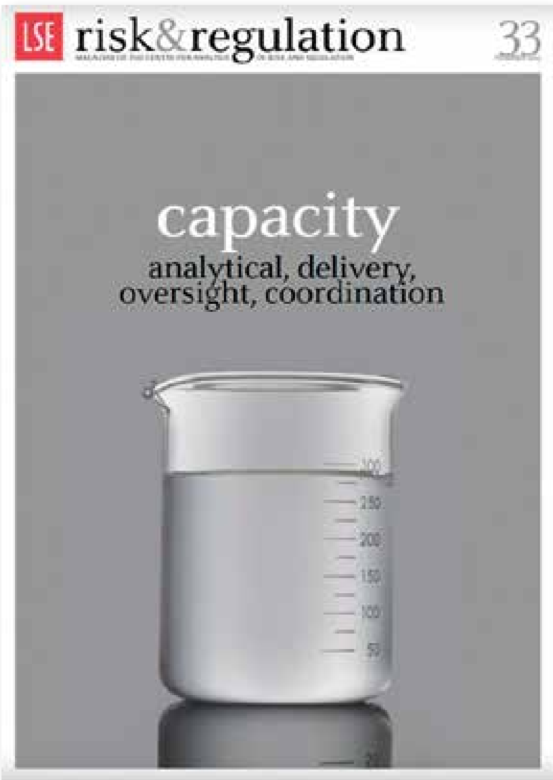
Over the past few months, **carr** organised a series of workshops and seminars with leading international academics and practitioners. These events build on the continuing research activities within **carr** that focus on transboundary crisis management (TransCrisis) and on quantification, administrative capacity and democracy (QUAD).

One workshop focused on the *regulation inside government*, building on earlier work led on this topic over twenty years ago. Speakers included Christopher Hood (University of Oxford), Steve Linick (Inspector General of the US State Department), Barbara Fredericks (former Chief Administrative Counsel at the US Commerce Department) as well as Richard Thomas (former UK Information Commissioner). The workshop also included participants from the German federal Chancellery and from the Brazilian Civil Service School.

In addition, **carr** organised, jointly with colleagues at King's College London, a workshop on algorithmic regulation. The workshop brought together different disciplinary perspectives and also included a keynote contribution by Professor Helen Nissenbaum (New York University).

**carr's** ambition is not just to produce international leading research and to host workshops and seminars, but also to provide a venue for high-profile contributions to debates on regulation. In June, Cathryn Ross, outgoing chief executive of the English & Welsh water regulator, Ofwat, gave a speech at **carr**. In that speech she highlighted the changing context in which economic regulators had to operate. The speech also considered a potential move towards multi-sectoral regulation in the UK. The speech and the podcast of the event are on the **carr** website.

Among the various **carr** research activities, there have been a range of notable contributions to contemporary policy debates. For example, following a successful bid to the UK Prosperity Fund, **carr**, together with RAND Europe, conducted a major study into the regulation of logistics infrastructures in Brazil.



The report was launched during an event in Brasilia and has already informed change in Brazilian federal legislation. The report and other materials, such as a project video, are available on the **carr** website.

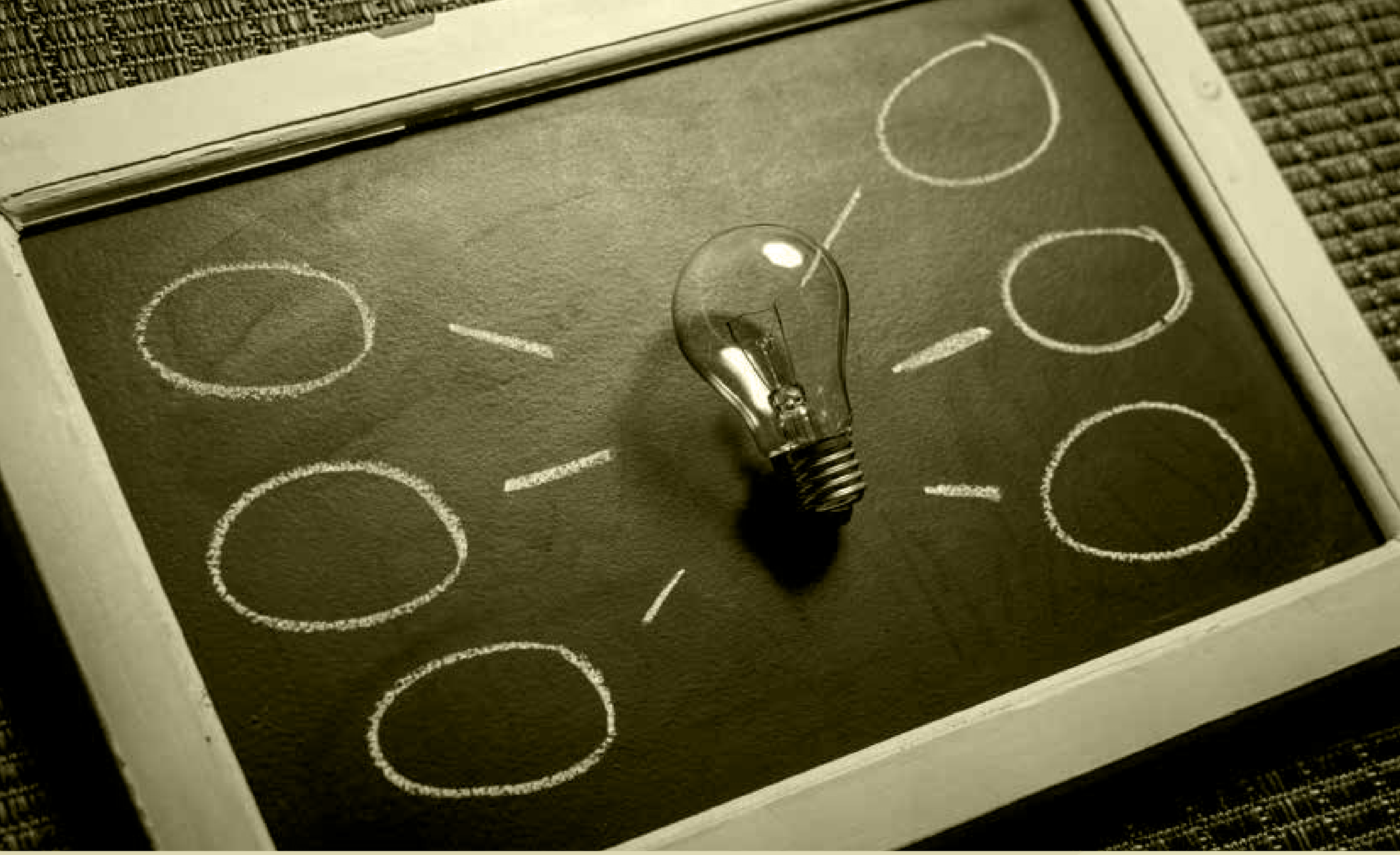
Earlier in 2017, the OECD published its work on the use of "behavioural insights" in public policy. The report highlighted some of the key challenges for behavioural insights-oriented policy-makers and was partly based on joint work by **carr** and the OECD which surveyed government departments and regulatory bodies about their use of behavioural insights in their organisation. A summary of this joint work was published in **carr's** biannual magazine *risk&regulation*.

Finally, **carr** was commissioned by the UK Statistics Authority to explore whether there had been a rise in the use of numerical statements in political discourse over the recent past. The research explored a number of communication channels, ranging from social media (twitter), party conference speeches, government announcements to parliamentary speeches as recorded in Hansard. The report focused on the frequency of numerical statements rather than their factual basis, but overall, the result suggested that there was no uniform pattern: recent years have not seen a rise in numerical statements made by politicians and government departments. This finding, in turn, has considerable implications for the regulation of the use of statistics. The report is also found on the **carr** website.

Finally, we celebrated two books produced by senior **carr** associates. In late 2016, we held the launch of Michael Power's on *Riskwork* (Oxford University Press). The second book launch was Bridget Hutter and Sally Lloyd-Bostock's book on *Regulatory Crisis* (Cambridge University Press).

**Martin Lodge**
Director of carr

**lse.ac.uk/accounting/carr**



# *Measuring Social Impact is Complicated and May Create Dysfunctional Incentives*

**In some cases, it may lead to an image-management practice Julia Morley labels "business washing"**

Increasingly, people who work for the good of humanity speak the language of business (G8, 2014). Social impact reporting has become best practice for many social enterprises, which use metrics such as "social return on investment" as a means of quantifying their success. "Social impact" can be seen as the social sector analogue of "profit" in the corporate sector, in that it specifies organisational objectives and is often used as a yardstick for success.

Where has this new approach come from? My research finds that the main impetus for the adoption of social impact reporting has come from an elite group of social investors who argue that measuring the effectiveness of social enterprises is a necessary precursor to improvements. Social investors focus on social impact measures because they intend their investments in social projects to generate a blend of financial and social returns. Such measurement might quantify the savings to the local community of an after-school club that reduces truanting, improves educational attainment and increases employment opportunities for those young people who attend (*New Philanthropic Capital,* 2011).

The market for social investment is growing, albeit from a relatively small base. Social investors play a key role by providing capital, while social investment intermediaries structure new ways of channelling funds to social enterprises. New financing institutions, such as Big Society Capital and its offshoot, Access, aim to stimulate investment, while think tanks and specialist consultancies enhance the view

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that social impact measurement represents best practice in the social sector through their research work and training activities.

A significant proportion of the managers and advisers of these organisations have previously worked in a cluster of private equity or investment banking firms. Many of them attended prestigious universities or have an MBA from a top business school where they cut their teeth on case studies on investment analysis and business strategy. These social investment professionals want to improve the effectiveness of social enterprises by focusing on their ability to deliver social impact. And to manage social impact, they need to be able to measure it. In addition, the growth in pay-by-results "social impact bonds" has contributed to the drive towards the measurement of social impact because payments to social investors are triggered by the attainment of specific target outcomes, such as reductions in re-offending rates.

In theory, social impact measures facilitate better funding decisions by revealing the ability of social enterprises to meet their objectives and enabling investors to allocate resources to the most effective organisations. In practice, though, social impact measures may be misleading. For example, it is well known that the relationship between social interventions and particular outcomes is extremely difficult to establish. Double-counting can occur where several social enterprises claim credit for a particular element of social impact. Even if these technical problems are overcome, social impact measurement is often prohibitively costly. As a result, smaller social enterprises which lack the budget for impact measurement may be unable to report their social impact and consequently miss out on social investment.

What is more, focusing too heavily on social impact measures may create dysfunctional incentives for social enterprises. A social enterprise facing short-term performance targets may be tempted to skew its social interventions towards easy-to-solve problems that generate reliable results in the short term, thereby enabling them to report higher success rates. As a result, more complex social problems that require longer term solutions may receive less attention even though they are important.

Consider the problem of homelessness. It is far easier to provide a short-term solution by providing accommodation for an individual than to provide long-term counselling to address the underlying drug and mental health issues. Worse still, some social enterprises claim to engage in social impact reporting merely as a means of marketing to potential investors, without any intention of using the data to focus their operations on the most effective interventions. I label this image-management practice "business washing" Another potential problem is that staff at social enterprises may find the language of social impact demotivating, because it describes their moral actions in terms of performance metrics. Preliminary evidence suggests that the reporting of their activities in terms of its ability to generate investment returns may taint their intrinsic motivation.

Where does all this leave us? In an age of austerity, it might make sense to believe that social impact reporting can be used to encourage good decision-making and to make social enterprises more accountable. Certainly, the community of social investment professionals argue that this is the case. But the introduction of this new approach to measuring effectiveness is not without risks and evidence of its potential benefits is mostly anecdotal. Social enterprises often tackle hard problems that have no easy solutions, where success in achieving objectives is notoriously difficult, if not impossible, to quantify. The possibility that some social enterprises will be tempted to "game" their impact measures or focus exclusively on short-term projects is a potential concern. Similarly, business-washing will simply waste resources and mislead investors. Given all these issues, perhaps we should be somewhat guarded in our optimism about the ability of these new performance measures to deliver on their promise of increased effectiveness in the social sector.

This article is based on the author's paper *Elite Networks and the Rise of Social Impact Reporting in the UK Social Sector* (2016).

# *The Effortful Nature of Risk Management Practice*

## How do you represent risks, since they're future possibilities not yet crystallised into events? asks Michael Power

In managing risk, organisational actors are constantly engaged in the work of representing it. From a philosophical point of view, this co-mingling of risk and representation is unsurprising. Risks are contingencies or future possibilities which have not yet crystallised into events. As non-real possibilities, they literally do not exist and cannot be seen until they are represented and processed in apparatuses for their management. On this view the unreality of risk in the future can only be made real and actionable in the present by being somehow captured and represented.

So when we look closely at risk management in the field, we see that practices are littered with artefacts which contain representations of risk. Documents and records like risk maps are known to be important artefactual mechanisms through which organisational agents contribute to, visualise and sustain organisational practices over time. We also find that the work of managing risk is entangled with institutional frameworks for accountability, and we need to understand better how these frameworks emerge and shape work processes, and how organisational artefacts are arranged in infrastructures for representing and organising this riskwork.

## Routines and Risk

Studies of organisational routines and of the central role played by artefacts provide the analytical and empirical materials for how we might think about, and approach, the analysis of risk management practice. An "artefactual turn" in risk studies could be based on the following questions: What is the infrastructure of artefacts through which risk is routinely identified, communicated and acted upon? How do these artefacts have agency in shaping both the risks which routinely get attention and the form of that attention? And how do these artefacts connect to systems of individual and organisational account giving? Put simply, these questions imply that a great deal of riskwork is done by non-human actors – the artefacts of risk management.

Take the example of the systemic risk of the financial system. While the danger existed and was conceptualised as a risk many years prior to the financial crisis, the dominant artefactual representations of that risk were in terms of the financial strength of individual banks. A huge amount of thinking was focused on the production of solvency representations and related capital issues at the level of the individual firm with the implied assumption that if the sum of financial organisations were individually sound, then the system was sound. But the interconnectivity risk associated with the wholesale inter-bank market was much less prominent and was poorly represented, leading one senior practitioner to describe the financial crisis as an "intellectual failure". So, following the height of the financial crisis, a great deal of effort has been undertaken to correct this failure and to represent bank interconnectedness and its associated risks, involving new kinds of models, artefacts and analyses.

Whether systemic risk is "real" or not is a question of interest only from a certain philosophical point of view. What is of more interest is how the danger of systemic collapse has a history in which it has transitioned from one system of representation to another, with a corresponding change in the riskwork and associated systems of artefacts. We could say that the risk object (cf, Hilgartner) of systemic risk always existed in some sense, but it has now been embedded in a new socio-technical network for representing and intervening in it. As analysts, we should not rush to judge whether this is an improvement or not, although as citizens and taxpayers we rather hope so.

## Artefacts and Risk Infrastructure

This artefactual perspective on risk management is not intended to debunk risk management

**Michael Power**
Professor in
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practice but to understand better its processes. After all, as Atul Gawande argues in his well known celebration of the checklist as the embodiment of accumulated knowledge and expertise, real lives are saved by pilots and surgeons using well designed checklists. In these cases the artefact of the checklist is close in space and time to those making decisions about flight safety and surgical risk respectively. Following the checklist mitigates the risk of human error, imperfect memory, and unnecessary variation in the performance of a critical task and its consequences for life.

And yet, even in this worthy example, a checklist is a more complex artefact than it first appears. Firstly, the form of the checklist often has a distinct history, usually emerging from post-accident investigations and analyses. Secondly, the checklist as an artefact may not have an organisational life solely for the benefit of in situ pilots and surgeons. It may persist as an organisation record allowing others to judge compliance or to conduct an investigation. In short, the checklist may exist in a system of linked artefacts which make the actions of the pilot and surgeon visible and accountable to others – hospital and airport managers, investigators, regulators, and so on.

So, on the one hand, there seem to be artefacts like Gawande's checklists which embody a clear purpose and which are co-extensive with managing risk. On the other hand, there seems to be a class of artefacts which are systematically organised to build up accounts of performance or to permit forensic ex post investigation of performance. These artefacts have a different organisational trajectory from the first kind; they can move very far from the routines with which they are associated and become aggregated as performance representations which are stored and subject to further analysis.

The empirically interesting artefacts, such as risk registers, sit at the boundary between the first order management of risk and these wider systems for performance accountability. They generate critical questions such as: under what conditions do organisational actors become distracted by this forensic role of risk management artefacts?; what might be the consequences of such a shift in their attention?; could these consequences, understood broadly as the risk of accountability "crowding out" performance, themselves be represented within the risk management system?

In general, the system of artefacts approach being proposed recognises that organisational actors who engage in the routine management of risks are also producing artefacts whose trajectory constitutes the "regulated life" of an organisation and in which traces of their work are inscribed. In turn, such traces make the work of risk management auditable by others; riskwork at the granular level may therefore often implicate auditwork.

## Riskwork and Auditwork

The strength and effects of a so-called "logic of auditability" in risk management, and its embeddedness in a connected system of artefacts, are matters for empirical enquiry. For many years, risk management scholars have been concerned about whether the tail of audit and accountability, and possible blame, wag the dog of risk management. Many studies suggest that organisational agents focus as much on managing the risks to themselves and their reputations by constructing defendable audit trails which may actually increase overall risk.

Yet, while there is a general awareness of this issue both by scholars and also by those who work in regulation and risk management, borrowing the "artefactual turn" from routines theory encourages analysis to move beyond general assertions about "blame avoidance", "reputation management", or "legitimation" strategies in characterising the side effects of accountability for risk management. The system of artefacts perspective strengthens the analytical and empirical focus on how specific artefacts shape both attention and action in the risk management field. In short, I propose that an artefactual turn within risk studies supports a possible empirical programme focused on the dynamic relation between what I call "auditwork" and "riskwork".

Finally, an essential tension between action and representation exists at the heart of all organisational routines. It gives them their dynamic properties and this is especially true for the routines that constitute risk management practices. Situated human actors navigate the so-called "risks of risk management" posed by a world of artefacts and as analysts we have an opportunity to observe their skill and effort, sometimes resisting and sometimes succumbing to a logic of auditability which can be pervasive and powerful. The different contributions to *Riskwork: Essay on the Organisational Life of Risk Management* (Oxford University Press, 2016) provide a body of evidence about the effortful nature of risk management practice in many different settings. Routines theory provides the conceptual apparatus and empirical sensibilities to take this agenda further.

This article was originally published by risk&regulation, the magazine of LSE's Centre for the Analysis of *Risk and Regulation*. It is an abbreviated version of the essay "Postscript – on riskwork and auditwork" in Michael Power (ed.), *Riskwork: Essays on the Organisational Life of Risk Management*, Oxford: Oxford University Press, 2016.

## MARG Conference

# *Management Accounting: New Times, New Practices?*

**On Thursday 30 March the London School of Economics and Political Science hosted the 38th Annual Management Accounting Research Group (MARG) Conference**

MARG *Conference*

Recent meetings of the group have addressed business models and cultures, strategic partnerships and management accounting, as well as the state and the future of management accounting (MA). This year the theme was "New Times, New Practices" with a focus on the rapidly changing business environment and how MA practice might respond with speed, especially in relation to smaller organisations. 140 delegates from practice and research attended the event.

After a welcome from Professor Alnoor Bhimani, Professor Juhani Vaivio from the Aalto University School of Business presented a fascinating study of "Organisational Change, Measurement and Occupational Identity". Although primarily a research paper, what was particularly interesting about Juhani's presentation was his focus on how accounting has been implicated in cultural changes within organisations and how this is manifest at the individual task level. What might at first seem mundane, how the working practices of vehicle inspectors in Finland have changed over the last 60 years, is anything but. By extrapolating this study to changes in everyday working life over the same period and by considering the role of accounting measurement in this change, accounting practice is revealed as far from the neutral technical practice that many assume. A more profound question then arises: Will the emerging "standardised self" enable or stifle creativity?

After this reflective start, Professor Michael Bromwich cheered us all up with his portrayal of the "doom and gloom" of the current management accounting predicament. Michael emphasised the challenges presented by the decline in Management Accounting (MA) in business schools and the robotisation of much of the more routine MA activity. Fortunately Michael then presented, in a series of forecasts, a number of future opportunities for the management accountant. There was an interesting juxtaposition between the first two presentations that I ruminated on over an enjoyable lunch: perhaps there is a call for a more reflexive management accountant, one that acknowledges the important role that MA plays within organisational change and that focuses on the social complexity involved in these changes, rather than purely technical matters that tend to leave the human factors out. This theme was picked up in the afternoon session, starting with a presentation from Kiran Ali and Hanif Jiwa from Trigo Consulting that took us "Out of the (Excel) Frying Pan into

**Alistair Marsden FCA**
PhD Student in Accounting, LSE

the Fire". This explored how other business intelligence technologies might be able to tackle the problem of wasted time. Whilst Kiran and Hanif touched on the human and social factors, these were really brought home in the break-out sessions.

The attendees were divided into six groups and asked to discuss "The Future of MA". The attendees were provoked by a series of questions that they might wish to consider. In the break-out session that I attended, I found the contrasting perspectives of practitioners and researchers to be most enlightening. Our group looked at how MA training might help to prepare management accountants to respond to the rapidly changing technical environment. Perhaps predictably, the practitioners tended to focus on training that focused on the technologies and in particular those involved in Big Data. In contrast, the researchers challenged the premise of the question that assumed MA as only the object, rather than also as an agent, of change and the narrow focus on the technical that such a presumption entailed. The various groups presented back their discussions in a lively postprandial session. A particular highlight was the gentleman from practice who listed out, with more than a hint of irony, the training courses on offer to him that all seemed to include the word Excel in the title!

The formal part of the day concluded with the distinguished practitioner lecture from Tristan Price, Chief Executive of M. P. Evans Group PLC. Tristan described the advantages and disadvantages of being a small organisation, drawing on his personal experiences managing palm oil plantations in Indonesia. He contrasted the benefits of being close to the operations where the "debate leads the numbers" to the Hogarthian travails of a "descent into madness" when a small company like M. P. Evans tried to contend with the mighty Big 4 when lobbying for changes to accounting standards. The "Short Chains, Long Reach" of his title were perhaps most vivid in his descriptions of the short communication chains of a Head Office of 6.4 FTE in Kent and the influence they have over the palm oil plantations some 7,300 miles away in Indonesia.

The day ended very pleasantly with an evening reception and a chance to meet people in a more relaxed setting. I reflected on an interesting day as I wound my way home. After many years in practice, I was left with the impression that there is an unquenched appetite from both practitioners and researchers for a more critical perspective of the role of accounting within culture, one that attends to the behavioural and social implications arising from accounting practice as well as to the technical areas that are already well catered for. What made the Conference different than the many practice-based conferences that I have attended over the years was the way that it balanced both practice and research. I like to be left with interesting questions from these types of events and the 38th MARG conference certainly did that. Many thanks to all the attendees and to CIMA, the ICAEW's Charitable Trusts and the London School of Economics Department of Accounting for generously sponsoring this well-organised and engaging conference.

# *Commission Trading Allowed Italian Merchant Banks to Flourish in the 16th Century*

**It also enabled commercial firms to respond to the intense and fluctuating demand of international hubs, writes Nadia Matringe**

*"… it may please your worships to understand, that the chiefest living and maintenance that we have is upon the commissions that are sent unto us of our friends from beyond the seas…"*

Most of today's banks and brokerages' total revenues is generated by commission trading, ie, the selling and buying of stocks, bonds, currencies, commodities or their derivatives on behalf of third parties for a service charge, as opposed to trading with one's own money (prop trading). This global standard has its origins in the early modern age, when the growing population and its expanding trade — with Africa, Asia and the New World -transformed the organisation of international business. Indeed, while the origins of commercial agency go back to antiquity, only the 16th century's unprecedented commercial expansion enabled the appearance of trade and banking houses specialised in the commission business, which required a high demand for goods and capital to yield substantial profits.

The possibility of specialising in commission trading stimulated the restructuring of the dominant firms in international trade: the Italian merchant banks. While the geographic extension of these firms and their capital reserves tended to diminish, and their juridical structure to loosen up in the 16th century, the volume and intensity of their activity continued to grow and increasingly took the form of commission trading, which the different branches of these decentralised firms practiced even amongst themselves.

This transformation is evidenced by the numerous Florentine firm archives of this period, which happen to be exceptionally well preserved. The parallel increase in the volume of Florentine account books and the growth of commission accounts during this period indicates the nexus between the 16th century's economic growth and this specific type of business organisation.

These accounts reveal the heavy involvement of the main Italian merchant communities (not only the Florentine but also the Lucchese, the Genoese, the Milanese and the Venetian) in the commission business – especially with firms located in the great commercial and financial centres of the time, such as Lyon, Antwerp or Besançon. The commission system enabled these firms to respond to the intense and fluctuating demand of international commercial hubs, and to seize any opportunity as it occurred.

The most important collection of commercial records from this period, the Archivio Salviati (Pisa), provides an insight into the development and functioning of early modern commission agencies and commission networks. My work has focused on the activity of the Salviati bank in Lyon, at that time the main commercial hub of international trade with Antwerp.

In Lyon, the importance of the commission business is attested by the existence of specific books of "commitenti" (or principals) in the archives of the major Italian banks settled in this marketplace (Salviati, Capponi, Martelli). These ledgers, which appear in the middle of the 16th century, just as the Lyon fairs were developing into a major clearing centre in the European payment system, are almost entirely devoted to payments and banking. Thus, while businessmen resorted to the commission system both in the field of exchange and commodity trade all over

**Nadia Matringe**
Assistant Professor
of Accounting, LSE

Europe, it seems that the specialisation of some Italian firms in the commission business was related to their parallel specialisation in banking. For obvious infrastructural reasons, banking on commission (that is, on a very large scale so as to make significant profits) was indeed easier than commodity trading on commission. The circulation of credit by far exceeded that of goods in the main financial centres, where most payments were settled through bills of exchange, also used in purely speculative transactions. Furthermore, intensive paperwork remained easier than the handling of huge quantities of spices or delicate precious silks.

The most striking feature of early modern banking on commission, which sharply contrasts with modern practice, was the interchangeability of principals and agents. Indeed, most clients of Italian banks were themselves businessmen. As a result, they could act alternatively and sometimes concomitantly as both agents and principals, even in the case of banks working mostly on commission, such as the Salviati. This versatility increased risks of conflicts of interests. The Salviati archives contain some examples of cheating: the Salviati sometimes bought bills of exchange at a better price than expected from their principals and kept the surplus for themselves, or invested money deposited with them in speculative operations to make a profit on the rate spread, while being bound to follow their principal's orders concerning modes of investments. Such cases of opportunistic behaviour, however, occurred only on a small scale and could be considered as collective accepted deviances. The smooth running of commission agency relied less on commercial regulation – rapidly evolving during this period – than on reputation and networks. In the small world of big business, information about the financial capacities and reliability of merchant-banks, which circulated through commercial correspondence, could establish or destroy their credit. Another crucial object of business letters was price currents, which facilitated monitoring and helped agents prove they could obtain the best deal for their principals.

Salviati archives thus document a crucial moment in Europe's financial history, with the constitution of societies specialised in services, which spread throughout Northern Europe in the following centuries. This development was the consequence of and response to the growth of 16th century international trade and securities markets, whose outstanding feature was the development of great exchange fairs (Lyons, Bisenzone, Castile, Frankfurt and others) with international clearing functions and facilities. Banks specialised in commission trading exploited these new opportunities to establish a business model that has prevailed in the banking sector to this day.

This article is based on *Commission trading and the transformation of Florentine business organisation during the sixteenth century*, a working paper and on the author's book *La Banque en Renaissance. Les Salviati et la place de Lyon au milieu du XVIe siècle*, Presses Universitaires de Rennes, 2016.

Governors of the Wine Merchant's Guild by Ferdinand Bol, c. 1680.

# *The Risk Culture in Financial Institutions Needs Fixing, but How?*

**In the aftermath of the financial crisis and other major corporate scandals, a large number of public inquires and documents written by regulators, consulting firms and professional associations drew attention to something that needs fixing: the risk culture of financial sector organisations**

But what do all these references to risk culture imply in terms of organisational practices? With this question in mind, in 2012 we started to explore how financial sector organisations thought about risk culture and how they gave it teeth. Drawing on extended contacts with managers and members of staff of banks and insurance companies, consultants and regulators over more than four years, in a recent paper, we argue that organisational actors face two kinds of issues when they seek to do something about risk culture.

First, calls for action about risk culture are characterised by normative statements that urge senior leadership and also members of staff to "do the right thing". But in the post-crisis context what is "right" or "wrong" is not easy to determine. The cultural symbols and material practices of financial institutions were dramatically challenged in the aftermath of the crisis. What was normal and "good" before the crisis rapidly became an object of contestation and, at times, embarrassment. Second, and central to our analysis, this complexity about the ends, organising principles and mechanisms of control in financial sector organisations is translated into another source of complexity. It is difficult to understand what are the means through which the ambiguously defined goals of risk culture change can be put to work. Hence, "doing the right thing" is challenging not only because of ambiguity about what "right" means, but also because of different ways in which things can be "done".

Our study sheds light on how organisational actors confront this twofold source of complexity. We show an initial tendency to stress "organic" management styles of dealing with change in risk culture. These tend to be self-driven, over long time scales, involving the consolidation of existing information sets, and an emphasis on interaction between risk and the business. But we also show how organic approaches tend to be replaced over time with "engineered" styles of intervening in risk cultures. These are advisor- and regulator-driven, with more of a focus on short-term change – through diagnostic surveys, metrics and performance incentives – by organisations who seek to "do something" visible about risk culture.

Moreover, as engineered approaches to risk culture become prominent, not only do they redefine the means of risk culture intervention, they also reframe the organisational ends, organising principles and mechanisms of control in financial institutions. In contrast with post-crisis criticism and anxiety about "reckless" risk-taking, we observed the use of diagnostic tools,

**Tommaso Palermo**
Lecturer in Accounting, LSE.

such as surveys, as a way to demonstrate that "judicious" risk-taking is possible and goes hand in hand with performance improvement. In short, the shift in the means of intervention on risk culture (from organic to engineered) contributes to redefine the criteria used to evaluate what the right thing for financial sector organisations is.

Given the highly ambiguous nature of the object itself – risk culture – and the struggles of actors with this ambiguity, there is no standpoint within our study from which to judge whether one operationalisation of it is better or worse than any other. But we note a paradox: while many individuals openly supported the former, it was the latter which was more visible towards the end of our fieldwork. To explain this paradox, we suggest that organic styles might be good to make sense of local complexity. They help to "join the dots" among the wide range of new policies, organisational structures, training programmes and metrics that are likely to proliferate in the turmoil that follows a crisis. But organic management styles tend to fall short in terms of producing visible and reproducible means of intervention. In contrast, an engineered management style helps to show that something "tangible" is being done.

Our analysis has some practical implications. On the one hand, we suggest that those organisational actors who rely from the start on an engineered approach may face challenges. People may be sceptical of the need of yet another large-scale culture survey; or it may be difficult to identify risk culture-relevant indicators through a top-down initiative. On the other hand, those organisational actors who rely mainly on idiosyncratic, organic approaches may benefit from increased visibility in the immediate aftermath of a crisis. They would be seen as the people who contribute to make sense of possible alternative or complementary means of intervention in a chaotic post-crisis context. But they are also likely to be challenged over time. At some stages, they would inevitably face the request: Show me tangible evidence of your risk culture!

To conclude, we suggest that those organisational actors who are able to pragmatically balance an organic and an engineered approach to changing risk culture are likely to maintain or even extend their organisational footprint. However, somewhat ironically, such balancing act may require a pre-existing cultural predisposition to accept that there is not a universal "right" way to do things about risk culture.

This article is based on "Navigating institutional complexity: The production of risk culture in the financial sector", *Journal of Management Studies*, 2017.

# *Interview with a PhD Student Felix Vetter*

**What is your background prior to starting the PhD in Accounting?**

Prior to starting the PhD in Accounting at LSE, I studied economics as an undergraduate and obtained a Masters in Business Administration at Humboldt University Berlin. During both, I worked as a teaching and research assistant at Humboldt University's Accounting Department which was a great opportunity to see accounting research first-hand. The exposure to current accounting research sparked my interest and highly influenced my decision to pursue a PhD in this field.

**What is your research about?**

My research is at the intersection of labour economics and accounting. In a current project, I examine how certified public accountants are regulated and how changes to these regulations affect labour markets. More recently, I also developed an interest in smaller accounting firms. From an empirical viewpoint, we know fairly little about these smaller firms while they constitute a large share of the accounting market.

**Is there a typical day in the life of a PhD student?**

There really is no typical day. There might be some seasonal or weekly patterns. During terms of teaching, you focus on teaching, office hours, and preparation. When you do not teach during a term, you dedicate most of you time to research. You work on current projects and explore new ideas together with your colleagues. While most days are dedicated to research, you really cannot talk about typical days though. You deal with a variety of phenomena each requiring different approaches allowing you to constantly explore new methods and ideas.

Throughout the year, you have some weekly patterns. For instance, you have the doctoral seminar every week. In this seminar, you discuss research papers with faculty and your PhD colleagues. The seminar is often followed by a workshop in the afternoon where guest speakers present their working papers. These workshops are a great way of getting exposure to new ideas and methodologies. You also learn a lot by just following the line of questions raised by more experienced colleagues. In addition, the PhD students usually meet the speaker after the seminar. I enjoy this part a lot. Guest speakers come from all over the world and share their experience about their home institutions and, of course, research.

# PhD in *Accounting*

**What is your favourite aspect of being a PhD student?**

My favourite aspect is research. Research allows you to identify interesting questions and phenomena within a great community at LSE. Searching for explanations often yields even more questions but you also learn a great deal along the way. Also, research at LSE allows you to work closely with the great faculty who are always happy to share their insights.

**What is your least favourite of being a PhD student?**

"Killing your darlings". Research is an iterative process. You often start out with an idea or an empirical test and invest a lot of time and energy. It sometimes happens that an idea turns out be unfeasible or that there is a better way of doing it after you invested a lot of time in the initial approach. While this constantly improves your work, it can sometimes be tough at first. However, after a while one realises that even if the particular idea might not work out, you always learned something along the way which will may come in handy at a later stage.

**How much teaching do you do?**

I started teaching at the LSE in my second year (2015/16). I was a class teacher for AC100 – Elements of Accounting and Finance, which is an introductory course to accounting. I taught four classes during Michaelmas Term which was great fun.

**What do you enjoy about teaching?**

Teaching at LSE is a lot of fun. Students at LSE are very engaging and not only interested in the "mechanics" of accounting but also in the broader implications and intuition. This gives you ample opportunity to discuss current events and incorporate real life examples into classes. It is very gratifying to see students developing better and better intuition and drilling deeper into the subject class by class.

**What would you like to pursue in your career after you achieve your PhD?**

I aim to pursue an academic career after the PhD. I highly enjoy teaching and research. I look forward to not only continuing my current research but also to developing further ideas with my colleagues. I enjoy the nature of the work and the collaboration among fellow PhD students and experienced researchers. It allows you to constantly explore complex problems and you learn a lot every day.

**What advice would you give to anyone considering a PhD in Accounting at LSE?**

Attend the PhD information sessions which our department offers. During these sessions, you cannot only talk to the Programme Director and faculty but also to us. During each session, there will be at least one PhD student. We all went through the decision and application process and are more than happy to share our experiences.

In addition, your Master's thesis is a great way to figure out whether research is something you can imagine doing in the long run. Similarly, research assistance positions can be super helpful to experience research first-hand and may even allow you to develop first ideas that you would want to pursue during a PhD.

# *Excellence in Education Awards Winners*



**In 2016, Dr Stefano Cascino and Wim Van der Stede were the two inaugural winners of this Award in the Department of Accounting. The perspective below is based on an interview of Wim by *LSE Education* blog.**

Wim's teaching includes a flexible and interactive approach to space, helping students find their voice and a focus on combining theories with current examples from the field.

"I love to teach, but also not to teach", begins the Professor, explaining that for him, it's important to have set times where he can focus on teaching and times to focus only on other aspects of his work. He compares the intensity of the experience of delivering a class to that of a Formula One driver on race day, entering totally focused on the topic and the students in front of him, no matter what emails might be pinging through to his mobile phone.

While Professor Van der Stede is highly focused, he describes that in his mind, "teaching is no way static"—and neither is he. "If you walked into Sheik Zayed Theatre, you might have trouble finding me! You would hear me, but you might not see me right away. I like to walk around, stop. Talk directly to people." This approach allows him to engage with students no matter what size the class happens to be, and, he explains, allows him to hear from students who might otherwise be too shy to contribute or ask a question. To facilitate this, he provides all of his students with printed name cards – and spare blank ones with a marker should they forget them. With their names readily available, and his movement through the room, it's harder for students to hide and easier for them to ask — sometimes challenging — questions that can take the lecture into new areas to help everyone gain a better understanding of the topics.

In order to make sure he both delivers all the relevant information and accommodates the evolving nature of sessions as students contribute, he identifies the importance of being prepared, planning key points and a good structure to help students logically follow complex ideas. He provides PowerPoint slides as placeholders — for both himself and the students — and enjoys using the preparation time to think about his subject as a whole. Indeed, he describes teaching as part of a process: "I teach what I love, what I research. The teaching forces me to explain and think of ways to communicate the ideas. Then I identify cases and these become sources for my teaching … teaching for me is not something entirely separable from my writing and my academic pursuits."

Since the earliest days of his teaching he has been keen to use a case-based approach to help students understand the real-life applications of theories. Through the analyses of the cases, the students learn to develop problem-finding skills, as well as critical-thinking and problem-solving skills, and they can be probed to articulate and defend their ideas. Professor Van der Stede feels this approach is always well received and allows illustrating that, although a concept may be "five, ten years old, what we know about it and how it is contextualised varies and changes … it's dynamic". Take the 2016 Nobel prize winning notion of "contract theory" whose key tenets have been well established yet which also still have widespread application, such as, say, in the "gig economy". Examples from Deliveroo or Uber let you illustrate

this, but also allow you to compare and contrast the context of application with some very good cases from the 1970s that practiced "scientific management".

With this combined approach of theory and application, he hopes students will gain what he calls the "ammunition" to sharpen their conceptual understanding and think through and support their positions. When it comes to writing exam questions he also advocates including up-to-date cases to frame questions and challenge students' understanding. "I tell them I'm not interested in just hearing their opinion if it's not backed up by a logical, well-thought-out, complete yet terse analysis. If you have an exam question about bankers' bonuses, say, you can see that it takes some discipline to not just be opinionated about it."

And, just as current examples change and move on, so too do approaches to teaching within the department. This year, for example, some modules will be taught twice per week in medium-sized groups, instead of in lectures and smaller seminars. This, the team believe, will allow greater integration between theory and application and greater opportunity for students to take part throughout the 90 minute sessions.

"There is no one-size-fits- all", he concludes, aware that what works for some courses, groups or teachers, may not work so well for others.

# *Presentation Ceremony and Student Prizes*



The following prizes were awarded to Accounting students for their excellent examination performance at the 2017 presentation ceremonies.

## BSc Accounting and Finance prizes

The HC Edey Prize was awarded to Rifat Khanom for excellent performance in the BSc Accounting and Finance degree overall.

The WT Baxter Prize was awarded to Gabriel Sjostrom for excellent performance in the BSc Accounting and Finance degree overall.

## MSc Accounting and Finance

The Emeritus Professors' Prize for outstanding examination performance in the MSc Accounting and Finance was awarded jointly to Laura Eggerschwiler, Fiammetta Granchi and Julie Michelet.

## MSc Accounting, Organisations and Institutions

The Anthony G Hopwood Prize for outstanding examination performance in the MSc Accounting, Organisations and Institutions was awarded jointly to Marvin Wolfgang and Janine Bacher.

The St James's Place Academy Prize for excellence in accounting was awarded to Michelle Almaz and Lachlan Melville Kirwan (pictured left with Professor Mike Power and Jason Flood, Director of St James's Place Academy), for the best long essays in AC424 - Accounting, Organisations and Institutions.

# *LSE Students' Union Accounting, Organisations and Institutions Society*

*"Alone we can do so little; together we can do so much"* – Helen Keller

Writing about the AOI Society, what I'd like to emphasise is that the path to knowledge runs through people, connections, and relationships. To state that we have brought people together, helped strengthen bonds, and learned together is to have fulfilled our aims.

What a great year this was. Looking back, we organised a variety of interesting events that were well attended. Among those were a visit to Bloomberg's London office, which offered a glimpse into the unique culture, and an insight into the Terminal.

Jeremy Lonsdale, director at the National Audit Office, gave a talk which touched upon value for money studies of government programs, among other relevant topics. We also had a visit by Katie Thorpe, the Deputy Chief Operating Officer at Rothschild Capital Management Ltd and former senior manager at PwC, who discussed her responsibilities for investor relations, key differences between working for an investment trust and a large organisation such as PwC, as well as being a woman in the corporate sphere.

The alumni event was one of the most memorable and very well attended. We invited AOI alumni Nadine De-Gannes, Dorothy Toh and Maria Zhivitskaya who gave excellent insights into their journeys to-date, followed by a networking session. This took place at the start of Michaelmas term, and offered valuable information on our course, future prospects and a focus on how to approach the long essay.

We hosted a visit by students doing a parallel MSc in Accounting across the Atlantic, at the University of Southern California. The visit included a talk by Peter Holgate, a Visiting Professor in Practice at the LSE and former Senior Technical Partner at PwC, regarding differences between US and UK accounting standards, as well as his experience of auditing in the UK and Nairobi. We also shared videos prepared by LSE and USC students on each of our university experiences.

In addition to the academic events which were all followed by networking sessions, we also had social events such as Christmas drinks, a bowling event as well as a final dinner on the night before graduation.

Going forward, we encourage the future AOI Society to continue organising events that aim to learn in togetherness. We encourage more inclusive events that celebrate the diversity of AOI, for example, through events that seek to bridge cultures and learn from one another. Including alumni and professors are also great ways to build the AOI community beyond the current cohort and encompass AOI past, present, and future into one larger community.

Finally, we would like to thank the Accounting Department for all their help and support, all the guests we have invited and everyone who has attended our events. It was a pleasure running the Society and being part of an exceptional AOI community.

**The 2016/17 AOI Committee:**

Michelle Almaz (President); Kim Ardoin (Vice President); Su Xiaoyu, Anastasios Georgakopoulos, Luca Bertoloni and Marianna Rogdaki (Public Relations Managers), Kamilya Salina (Treasurer); Maruful Islam (Secretary)

# *LSE Students' Union Accounting Society*

The Academic Year 2016/17 has been a year of consolidation for the Accounting Society, where the Society evaluated its commitments and streamlined its processes, to strategically evaluate the direction of the Society.

I am really grateful to be given the opportunity to lead the Society for the Academic Year 2017/18, as we are facing an exciting time.

Special gratitude goes to the Department of Accounting, for supporting and contributing to the Society's success, and we look forward to continuing to work with the Department in the upcoming academic year.

After the previous elections, the Elected Committee got down to work to plan many events for the Society. Credit goes to the Vice-President, Jason Yan, for coming up with the direction for the Society, as well as the Treasurer, Krithika Balasubramaniam, and the Secretary, Eileen Loh, for the exceptional back-end support.

Regarding career events, we worked closely with the Chartered Institute of Management Accounts (CIMA) and the Institute of Chartered Accountants in England and Wales (ICAEW) to organise several events – from career talks with JP Morgan, to Tax Workshop with EY, to Business Skills sessions, our sponsors worked tirelessly with us to ensure that our members have a clearer picture of possible career paths in the future. Gratitude goes out to Akshay Lakhani, the Sponsorship Director, for working with the sponsors, Dalet Sim, the Marketing Director, for the amazing outreach to members, as well as Chiew Theng, the Events Director, for excellent execution.

The AC100 Peer Tutoring Session also provided support and help to our members in tackling problems related to the AC100 course. Special thanks to our Academic Director, Cathy Yang, for the smooth running of the sessions.

Looking forward, I sincerely thank the previous Accounting Society Committee for the excellent work that they have done over the past year. As William Faulkner once wrote, "Don't bother just to be better than your contemporaries or predecessors. Try to be better than yourself." As the new committee, we will strive to do our best for Accounting students at LSE, and take the Accounting Society to new heights.

**Au Yong Jin**
President, LSESU Accounting Society (2017/18)

# *Teaching Awards 2017*

The LSESU Teaching Excellence Awards are the only awards at LSE that are student-led. Students make the nominations and students choose the winners.

At this year's ceremony, the Department of Accounting's **David Trodden** was the winner of the LSE Award for Mentoring and Personal Development with **Lukas Lohlein** also recognised as a highly commended nominee. David teaches on the AC100 and AC211 courses and is an Academic Adviser to many students in the Department. The LSESU Teaching Excellence Awards is awarded to teachers who have made a real impact on students, whether through excellent feedback, pastoral support, knowledge sharing or sheer inspiration.

**Brett Considine** and **Daphne Hart** were awarded the LSE Class Teacher Award, given to graduate teaching assistants in recognition of their outstanding contribution to teaching at LSE.

**Dr Stefano Cascino** and **Professor Wim Van der Stede** were also recognised in the first round of the LSE inaugural Excellence in Education Awards (2016). Designed to support the School's aspiration of creating "a culture where excellence in teaching is valued and rewarded on a level with excellence in research", the Excellence in Education Awards are made to colleagues who have demonstrated outstanding teaching contribution and educational leadership in their departments. And, for the most recent session, congratulations to Stefano Cascino (again), **Dr Tommaso Palermo**, and Wim Van der Stede (again) for their teaching achievements as recognised by the 2017 LSE Excellence in Education Award (2016).

> "David has provided one of the best teaching experiences I have had at LSE. It makes such a difference to have a teacher you feel truly cares about you outside of the classroom. At the beginning of almost every class, he takes an interest to know what is going on, such as internship and career plans."
>
> LSE Student

# *Selected Academic Highlights 2016/17*

**Dr Vasiliki Athanasakou**

**Presentations**

Ivey Business School; University of British Columbia; Western University; European Financial Management Association, Athens; Temple University

**Professor Alnoor Bhimani**

**Publications**

*Financial Management for Technology Start-Ups: A Handbook for Growth*, Kogan Page (2017)

*How Do Enterprises Respond to a Managerial Accounting Performance Measure Mandated by the State?* (with N Dai, P Sivabalan and G Tang), Journal of Management Accounting Research (2017)

*Voluntary Corporate Sustainability Reporting: A Study of Early and Late Reporter Motivations and Perceived Outcomes* (with H Silvola and P Sivabalan), Journal of Management Accounting Research (2016)

**Dr Jose Carabias Palmeiro**

**Presentations**

*Review of Accounting Studies* Conference (2016)

**Dr Stefano Cascino**

**Awards**

LSE Excellence in Education Award (2016 and 2017)

**Presentations**

Heriot-Watt University; University of Ghent; Amsterdam Business School; Newcastle Business School; Bolzano-Padova Financial Accounting Workshop

**Publications**

*Stock-Bond Return Co-movement and Accounting Information*, Journal of Business Finance and Accounting (2017)

**Dr Maria Correia**

**Appointments**

Editorial Board of *Accounting and Business Research*

**Presentations**

Norwegian School of Economics; Instituto Universitário de Lisboa; Workshop on Empirical Research in Financial Accounting at the University of Exeter; Free University of Bozen-Bolzano

**Publications**

*Asset Volatility* (with J Kang and S Richardson), Review of Accounting Studies (2017)

**Dr Pascal Frantz**

**Presentations**

International Finance and Banking Society Conference (2017)

**Dr Martin Giraudeau**

**Publications**

*The Farm as an Accounting Laboratory: An Essay on the History of Accounting and Agriculture,* Accounting History Review (2017)

*Histories of Accounting and Agriculture,* Accounting History Review (2016)

*The Business of Continuity*, in Bruno Latour (Ed.), Reset Modernity!, MIT Press (2016)

*Inclined Plans: On the Mechanics of Modern Futures,* in Bruno Latour (Ed.), Reset Modernity!, MIT Press (2016)

**Professor Bjorn Jorgensen**

**Presentations**

British Accounting and Finance Association Conference; University of Illinois at Chicago; Columbia Business School; ESSEC Business School, Exeter Business School; Georgetown University; Graz University; University of Leuven; Maastricht University; Open University; Stevens Institute of Technology; University of Alberta

**Publications**

*Discussion of "Are Related Party Transactions Red Flags?"* (with J Morley), Contemporary Accounting Research (2017)

*The Stock Market Reaction to Losing or Gaining Foreign Private Issuer Status* (with B Burnett and T Pollard), Journal of Accounting and Public Policy (2017)

*Flexibility in Cash-Flow Classification under IFRS: Determinants and Consequences* (with E Gordon, E Henry, and C Linthicum), Review of Accounting Studies (2017)

**Dr Saipriya Kamath**

**Presentations**

American Finance Association Annual Meeting; European Accounting Association Annual Meeting; Manchester Business School

#### Publications
*Rules on Independence and Responsibility Regarding Auditing, Tax Advice, Accountancy, Account Certification Services and Legal Service* (with I Roxan and W De Groen), European Parliament, Policy Department (2017)

### Dr Xi Li
#### Awards
Principles for Responsible Investment Forum Best Article Award (2016); INQUIRE Europe Research Grant (2016); Risk Institute Grant from the Fisher College of Business, Ohio State University (2016-18)

#### Appointments
Editorial Board, *The Accounting Review*; Research Fellow at the Risk Institute, Fisher College of Business, Ohio State University; Research Fellow, Cambridge Judge Business School

#### Presentations
Cass Business School; BNY Mellon ESG/Sustainability Seminar; HEC Paris; American Accounting Association, New York; Cambridge Judge Business School; National University of Singapore; Singapore Management University

#### Publications
*A Review of the IFRS Adoption Literature* (with E De George and L Shivakumar), Review of Accounting Studies (2016)

### Professor Richard Macve, Emeritus
#### Presentations
American Accounting Association, New York and San Diego; British Accounting and Finance Association Symposium; University of Utrecht; Xi'an Jiaotong Liverpool University; Chinese Accounting History Conference in Hangzhou

#### Publications
*'L'État c'est moi' … ou quoi? On the Interrelations of Accounting, Managing and Governing in the French 'Administrative Monarchy': Revisiting the Colbert (1661–1683) and Paris Brothers (1712–1726) Episodes* (with K Hoskin), Accounting History Review (2017)

*The Development of Chinese Accounting and Bookkeeping Before 1850: Insights From the Tǒng Tài Shēng Business Account Books 1798–1850* (with W Yuan and D Ma), Accounting and Business Research (2017)

### Dr Nadia Matringe
#### Presentations
Institute of Historical Research; Economic History Society Annual Conference; Institut d'histoire Moderne et Contemporaine; University of Paris

#### Publications
*La Banque en Renaissance: Les Salviati et la place de Lyon au milieu du XVIe siècle,* Presses Universitaires de Rennes (2016)

### Dr Andrea Mennicken
#### Presentations
University of Leicester; European Accounting Association, Valencia; University of Warwick; Max Planck Institute for the Study of Societies; European Group for Organisational Studies Colloquium at the Copenhagen Business School; University of Siegen; Society for the Advancement of Socio Economics Annual Conference at the University of California at Berkeley; The Centre Alexandre-Koyré

#### Publications
*Quantifying, Economising, and Marketising: Democratising the social sphere?* (with L Kurunmaki and P Miller) Sociologie du Travail (2016)

### Professor Peter Miller

#### Presentations
Max Planck Institute for the Study of Societies; Institute of Public Sector Accounting Research

#### Publications
*Quantifying, Economising, and Marketising: Democratising the social sphere?* (with L Kurunmaki and A Mennicken) Sociologie du Travail (2016)

### Dr Julia Morley
#### Awards
Grant from the Marshall Institute, LSE

#### Presentations
American Accounting Association, New York and San Diego; Stanford Center on Philanthropy and Civil Society; Society for the Advancement of Socio-Economics Conference, Lyon; Tilburg University; European Accounting Association, Valencia; Critical Perspectives on Accounting Conference, Quebec City; Oxford University; Newcastle University London; Royal Holloway University London

#### Publications
*Discussion of "Are Related Party Transactions Red Flags?"* (with B Jorgensen), Contemporary Accounting Research (2017)

### Dr Tommaso Palermo
#### Presentations
European Institute for Advanced Studies in Management, Brussels; University of Windsor, Ontario; European Group for Organisational Studies, Copenhagen

#### Publications
*Navigating Institutional Complexity: The Production of Risk Culture in the Financial Sector* (with M Power and S Ashby), Journal of Management Studies (2017)

*Risk and Performance Management: Two Sides of the Same Coin?* in M Woods and P Linsley (Eds.) The Routledge Companion to Accounting and Risk, Routledge (2017)

*Tracking America's Cannabis Industry Through Big Data* (with M Martinez, D Pflueger and D Brown), Forbes (2017)

**Professor Peter Pope**

**Awards**
Fellow of the Academy of Social Sciences

**Presentations**
Free University of Bolzano; Tel Aviv University; Universita' Bocconi

**Publications**
*Are International Accounting Standards More Credit Relevant Than Domestic Standards?* (with A Florou and U Kosi), Accounting and Business Research (2017)

**Professor Michael Power**

**Awards**
Fellow of the British Academy

**Publications**
*Navigating Institutional Complexity: The Production of Risk Culture in the Financial Sector* (with T Palermo and S Ashby), Journal of Management Studies (2017)

*Special Themed Section on Financial Accounting as Social and Organisational Practice: Exploring the Work of Financial Reporting* (with J Young and K Robson), Accounting, Organisations and Society (2017)

*Symposium on Accounting and Actorhood*, Editor, *Accounting, Organisations and Society* (2017)

*Riskwork: Essays on the Organisational Life of Risk Management*, Oxford University Press (2016)

**Presentations**
Accounting, Organisations and Society conference at LSE; European Group for Organisational Studies, Brussels; Laval University

**Professor Ane Tamayo**

**Publications**
*Social Capital, Trust and Firm Performance: The Value of Corporate Social Responsibility during the Financial Crisis* (with K Lins and H Servaes), Journal of Finance (2017)

*The Role of Social Capital in Corporations: A Review* (with H Servaes), Oxford Review of Economic Policy (2017)

**Presentations**
University of Warwick; Catolica Lisbon

**Professor Wim A Van der Stede, Head of Department**

**Awards**
American Accounting Association Notable Contribution to Management Accounting Literature Award (2017); LSE Excellence in Education Excellence Award (2016 and 2017)

**Appointments**
AICPA-CIMA Thought Leadership and Business Ethics Committee (2017- ); Director (Focusing on International), American Accounting Association Board of Directors (2017-20); Special Term Visiting Professor, Guanghua School of Management, Peking University (2017); Editorial Board, The Accounting Review (2017-20); Editorial Board, Journal of International Accounting Research (2017-20)

**Publications**
*Management Control Systems: Performance Measurement, Evaluation and Incentives* (with K Merchant), Fourth Edition, London, UK: Financial Times / Prentice Hall, 2017

*"Global" Management Accounting Research: Some Reflections,* Journal of International Accounting Research (2017)

*How to Incentivize Executives to Take the Long-Term View,* CGMA Magazine (2017)

*Management Accounting in Context: Industry, Regulation and Informatics,* Management Accounting Research (2016)

*"Where the Rubber Hits the Road": Panel Discussion on Management Control Systems at the Middle Management Level,* Journal of Management Control (2016)

**Presentations**
ESSEC Business School; HEC Lausanne; University of Turku; University of Maryland; Guanghua School of Management, Peking University; University of Groningen; Copenhagen Business School; American Accounting Association (Augsburg, Dallas, Puerto Rico and San Diego); European Institute for Advanced Studies in Management; European Accounting Association Doctoral Colloquium (Valencia)

# *Department Seminars 2016/17*

## Accounting Research Forums

13 October 2016
**Shannon Anderson**
UC Davis Graduate School of Management

*Evidence for the Decision-facilitating Feedback Role of Performance Measurement Systems*

22 February 2017
**Philip Berger**
Chicago Booth School of Business

*The Effects of Firms' Competitive Positions on Proprietary-Information Disclosure: Evidence from Manufacturing-Cost-Reporting Regulation in Korea*

8 March 2017
**Mary Barth**
Stanford University

*Evolution in Value Relevance of Accounting Information*

8 June 2017
**Shivaram Rajgopal**
Columbia Business School

*Towards a Financial Statement Based Approach to Modelling Systemic Risk in Insurance and Banking*

## Financial Accounting Seminars

6 October 2016
**Salman Arif**
Indiana University

*A Growing Wedge in Decision Usefulness: The Rise of Concurrent Earnings Announcements*

20 October 2016
**Al Ghosh**
Zicklin School of Business

*Reporting Quality and Audit Engagement Risk of Investment Companies*

27 October 2016
**Elizabeth Gordon**
Temple University

*Tangible Long-Lived Asset Impairments and Future Operating Cash Flows under US GAAP and IFRS*

10 November 2016
**Asher Curtis**
University of Washington

*The Measurement of Speculative Investing Activities and Aggregate Economic Outcomes*

17 November 2016
**Pawel Bilinski**
CASS Business School

*Knowledge Spillover and Accounting Firms' Competitive Strength in the M&A Advisory Market*

8 December 2016
**Mary Ellen Carter**
Boston College

*Benchmarking, Incentive Rebalancing, and the Influence of Labor Market Competition on CEO Equity Grants*

16 March 2017
**Partha Mohanram**
Rotman School of Management

*Fundamental Analysis of Banks: The Use of Financial Statement Information to Screen Winners from Losers*

27 April 2017
**Mark Maffett**
Chicago Booth School of Business

*Proactive Financial Reporting Enforcement and Firm Value*

25 May 2017
**George Serafeim**
Harvard Business School

*Stock Price Synchronicity and Material Sustainability Information*

1 June 2017
**Edward Maydew**
University of North Carolina

*Banks as Tax Planning Intermediaries*

## Accounting, Organisations and Institutions Seminars

5 October 2016
**Hugh Willmott**
Cardiff University

*What is Value?*

16 November 2016
**Roy Suddaby**
Newcastle University Business School

*The Professionalization of the Corporate Historian/Archivist*

23 November 2016
**Richard Macve and Keith Hoskin**
LSE and University of Birmingham

*Revisiting the Reports on The Western Railroad Crash of 1841: The First Manageriogenic Disaster?*

1 March 2017
**Daniel Martinez**
HEC Paris

*Assembling an Accountability Workspace: Governing International Development*

15 March 2017
**Dane Pflueger**
Copenhagen Business School

*Evaluative Infrastructures: Accounting for Platform Organisation*

22 March 2017
**Dominic Detzen**
VU University Amsterdam

*Socialization and Identity Narratives of East German Audit Recruits Following the Reunification of Germany*

*31 May 2017*
**Daniel Fridman**
University of Texas at Austin

*Freedom from Work: Embracing Financial Self-Help in the US and Argentina*

# *Who's Who*

## Administrative Team

**Justin Adams** – Administrator

**Rebecca Baker** – PhD in Accounting Programme Manager

**Yvonne Guthrie** – Department Manager

**Muhammed Sabih Iqbal** – MSc Accounting, Organisations and Institutions Programme Manager

**Sandra Ma** – BSc Accounting and Finance Programme Manager

**Dorothy Richards** – Graduate Admissions Manager, Diploma and MSc Accounting and Finance Programme Manager

**Salah Ud Din** – Student Information Centre/CARR Administrator

## Faculty

**Per Ahblom** – *Assistant Professor of Accounting*

**Vasiliki Athanasakou** – *Assistant Professor of Accounting*

**Alnoor Bhimani** – *Professor of Management Accounting*

**Jose Carabias Palmeiro** – *Assistant Professor of Accounting*

**Stefano Cascino** – *Assistant Professor of Accounting*

**Yasmine Chahed** – *Lecturer in Accounting*

**Maria Correia** – *Associate Professor of Accounting*

**Henry Eyring** – *Assistant Professor of Accounting*

**Pascal Frantz** – *Lecturer in Accounting and Finance*

**Martin Giraudeau** – *Assistant Professor of Accounting*

**Bjorn Jorgensen** – *Professor of Accounting and Financial Management*

**Saipriya Kamath** – *Assistant Professor of Accounting*

**Liisa Kurunmäki** – *Associate Professor of Accounting*

**Xi Li** – *Associate Professor of Accounting*

**Nadia Matringe** – *Assistant Professor of Accounting*

**Andrea Mennicken** – *Associate Professor of Accounting*

**Peter Miller** – *Professor of Management Accounting*

**Julia Morley** – *Lecturer in Accounting*

**Christopher Noke** – *Associate Professor of Accounting, Departmental Tutor*

**Tommaso Palermo** – *Lecturer in Accounting*

**Peter Pope** – *Professor of Accounting*

**Michael Power** – *Professor of Accounting*

**Aneesh Raghunandan** – *Assistant Professor of Accounting*

**Ana Simpson** – *Assistant Professor of Accounting*

**Ane Tamayo** – Professor of Accounting

**Wim A Van der Stede** – *CIMA Professor of Accounting and Financial Management, Head of Department of Accounting*

## Emeriti Professors

**Michael Bromwich** – CIMA Professor of Accounting and Financial Management, Emeritus

**Richard Macve** – Professor of Accounting, Emeritus

## Visiting Fellows and Professors

**Elena Beccalli** – Visiting Professor in Accounting

**Peter Holgate** – Visiting Professor in Practice

**Jo Horton** – Visiting Senior Fellow in Accounting

**Wayne Landsman** – Visiting Professor in Accounting

**Brian Singleton-Green** – Visiting Professor in Practice

**Martin Walker** – Visiting Professor in Accounting

**Joni Young** – Visiting Professor in Accounting

## Welcome

To colleagues listed above who recently joined the Department: **Henry Eyring, Nadia Matringe, Aneesh Raghunandan** and **Salah Ud-Din**.

## Leavers

Farewell, and best wishes to **Ahmed Abdalla, Dimos Andronoudis, Prajakta Desai, Lukas Lohlein, David Twardowski, Elizabeth Venning** and **Marcus Witzky** with many thanks for their contributions to the department over the years.

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