

# Finding the next research project

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# How to come up with an idea?

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- Answer an existing question with an even better answer
  - Dig deeper and give a better answer
  - Use a new empirical approach
- Answer an unanswered question
  - Extend the existing line of thinking
  - Expand the scope of research question
- Find an innovative topic
  - Bring in ideas from a related area
  - Bring in ideas from another area

# Answer an existing question: Dig deeper

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- We see insufficiency in some topic and dig deeper to argue there are more to study.
- **Note: This might be a risky project. Contribution might be marginal. We need to find that friendly reviewer.**
- Example: Sheng-Syan Chen, Carl Hsin-han Shen, and Yanzhi Wang (2023), “The Price of Reputation: Executive Compensation of Sin Companies.” *Journal of Business Finance & Accounting*.
- A prior study showed sin company managers receive higher pays. They attribute it to social reputation premium. We conducted more sophisticated analyses to test the rational and behavioural explanation of such sin company managerial premium.

# Answer an existing question: New empirical approach

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- Apply a new approach to reexamine an existing issue.
- **Note: Explain clearly what is the inadequacy of prior studies and how our new approach is better.**
- Example: Wei-Hsien Li, Ghon Rhee, and Carl Hsin-han Shen (2018), “CEO Inside Debt and Convertible Bonds”, *Journal of Business Finance & Accounting* 45, 232–249
- It has been argued in literature that convertible bonds are issued to combat the risk-shifting problem. However, no manager-level measures of managerial risk-shifting incentives is used yet on this topic. We take advantage of inside debt-holding to re-examine this issue.

# Answer an unanswered question: Extend the existing line of thinking

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- Identify an unexplored direction of an existing study and further explore it.
- **Note: Not many opportunities. Most of important topics are well explored in prior studies.**
- Carl Hsin-han Shen and Hao Zhang (2018), “Tournament Incentive and Firm Innovation,” *Review of Finance* 22, 1515–1548
- Prior studies show that tournament incentive has the effect of incentivise companies to undertake higher risks, in particular, making more R&D investments. However, no studies yet examine tournament incentive induces excessive risk-taking. We answer this question with innovation efficiency (number of patents per dollar of R&D expense).

# Answer an unanswered question: Expand the scope

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- Identify a related question that is not yet been explored.
- **Note: It cannot be “too” closely related. Otherwise, it diminishes the contribution.**
- Example: Guan-Ying Huang, Carl Hsin-han Shen, Zhen-Xing Wu (2023), “Firm-level Political Risk and Debt Choice.” *Journal of Corporate Finance* 78, 102332.
- Prior studies show that firm-level political risk affects the cost of debt capital in both public bond and bank loan markets. However, no studies yet examine whether it affects firms’ choices between public bond and private debts. This topic has significance because debt mix is a large literature.

# Find an innovative topic: Bring in ideas from a related area

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- Carry an idea over to a related area (e.g. accounting to finance, asset pricing to corporate finance, managerial accounting to financial accounting, etc.)
- **Note: Be clear about in which area you make the main contribution – tempting to argue both but might lose the focus.**
- Example: Liyu He, Carl Hsin-han Shen, Cheng-Yi Shiu (2022), “Is Fair Value Information Fairly Priced? Evidence from IPOs in Global Capital Markets.” *Journal of Banking and Finance* 135, 106368.
- We examine how the earnings reported based on fair value (FV) accounting affects IPO valuation. In particular, we find underwriters and institutional investors (primary investors) have better understanding of the FV. In contrast, aftermarket investors (many retail investors) are overly sceptical of FV.

# Find an innovative topic: Bring in ideas from another area

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- This of course arguably is the most innovative approach of all. It requires a constant exposure to new knowledge.
- **Note: Be careful about imposing a “cool” idea on another topic. Be clear about how it makes contribution to your area.**
- Example: Po-Hsuan Hsu, Carl Hsin-han Shen, Yanzhi Wang, “Intellectual Property Infringement and Shareholder Short-termism”
- We examine whether short-term institutions would pressure the company managers to under aggressive operating strategy and hence infringe others’ intellectual properties. We believe it adds to the discussion around the value of short-term intuitions.



# The ideas I usually avoid

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- An idea with both “cozy and familiar” independent and dependent variables
- A “straightforward” idea without clear entry barrier (though it might be an important topic)
- The idea that doesn’t “have me at hello”
- The main results built on the coefficient of an interaction term
- A re-examination of an existing topic in another market
  - But different results found across international markets might be promising

# Some tips

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- Subscribe SRRN research paper series on SSRN, e.g. World Intellectual Property (WIPO) economic research paper series.
- Subscribe some authors on SSRN to receive notification of their new work.
- Go to conferences/workshops in your own and also other areas.
- Pay attention to what's going on in the world (e.g. news, podcast).
- For ECR, find an experienced researcher to work together.