

FINANCE, MARKETS AND ACCOUNTING RESEARCH CENTRE (FIMARC)

REVIEW PANEL REPORT

November, 2002

Introductory Comments

Following the provision of a detailed written report about FIMARC from Professor David Allen, the three members of the review panel met with members of the centre, the Associate Dean (Research and Higher Degrees), and research students on the morning of 8th November, 2002.

Academic members of the centre interviewed included:

- ◆ Professor Allen
- ◆ Dr. Marilyn Clark-Murphy
- ◆ Mr. Paul Gerrans
- ◆ Dr. Lee Lim
- ◆ Dr. Edward Lin
- ◆ Dr. Y. H. Cheung; and
- ◆ Mr. Theo Christopher.

Our review focused generally on the six guidelines outlined in the relevant documentation. Briefly stated these refer to:

- ◆ Activities and achievements;
- ◆ Fulfilment of strategic planning objectives;
- ◆ Performance evaluation;
- ◆ The role of the Director and the effectiveness of the governance and management structure;
- ◆ Links with other institutions; and
- ◆ Visibility of the Research Unit and its reputation.

Our review is set against the background of a recent restructure of the Faculty of Business and Public Management at Edith Cowan University, in which the School of Finance and Economics has merged with the School of Accounting. This change has been in part a response to broader trends in disciplines such as Economics that have lost popularity in many universities throughout the world during the past decade.

The remainder of the report has four sections. The second section provides a brief overview of the structure and achievements of FIMARC (and its antecedent centre) over the past three years. In the third section we assess these achievements against the review guidelines. This leads to a discussion in the fourth section of the present and future challenges faced by the centre, and finally to a brief set of recommendations in our concluding commentary.

FIMARC - An Overview

The Finance, Markets and Accounting Research Centre (FIMARC) is one of four designated research centres within the Faculty of Business and Public Management at Edith Cowan University. Its brief is "to promote high quality applied research in the general areas of finance and capital markets" as well as undertaking accounting research and other market-based research. It operates in the School of Accounting, Finance and Economics.

Ten of the school's twenty-five full-time faculty are presently members of the centre - see Appendix. They consist of one Professor, one Associate Professor, three Senior Lecturers and five Lecturers. Six come from the Finance area, two from Economics and two from Accounting. Seven members of the group hold a doctoral degree, two have submitted their theses for examination and one is a Ph.D. candidate.

Professor Lyn Thomas (University of Southampton) is an Adjunct Professor in the Centre and there are nine associated researchers. Three of this group (Tim Brailsford, Robert Faff and Abul Masih) are professors at other universities.

As its Director, Professor David Allen plays a central role in the activities of the centre and in the promotion of its profile. This occurs particularly through his association with SIRCA (Securities Industry Research of the Asia-Pacific) finance markets research group. David is currently Director of its funds management research centre. Based on a consortium of 25 universities in Australia and New Zealand, SIRCA members work with industry partners in building and sharing research infrastructure to support research into the efficient operation and design of capital markets.

Notable other work of members of the centre includes

- a long-term study of factors influencing the retirement savings decisions of public and private sector superannuation fund members by Paul Gerrans and Marilyn Clark-Murphy,
- a series of research projects on gambling markets by Y H Cheung,
- modelling and simulation research and conference organisation by Lee Lim in association with Professor Michael McAleer from the University of Western Australia.

Over the past three years, members of the centre have produced

- ◆ thirty papers in refereed journals,
- ◆ thirty-two working papers, and
- ◆ thirty-four conference papers.

They have also been successful in obtaining external research grant and scholarship support from six external sources.

Professor Allen has successfully supervised the completion of fifteen PhD, Master's or Honours theses. He is currently supervising twelve higher degree and honours theses.

Assessing FIMARC's Achievements

Our assessment in this section follows the six guidelines outlined in our introductory commentary.

1. Activities and Achievements

The activities and achievements of FIMARC have been impressive in several ways. In developing the activities of the centre, David Allen has introduced a research focus and culture. This was previously confined to isolated individual faculty members of small groups.

2. Fulfilment of strategic planning objectives

Within the constraints outlined in our introductory comments, the Centre has been successful in achieving objectives consistent with the overall focus of the university.

3. Performance evaluation

Our discussion focused on three areas in this exercise. One related to Research Activity Index (RAI) scores, the second to a more traditional view of performance based on research output and a third to the views of students.

Accumulating more than 5000 points in 1999 and 2001 according to the RAI is in many respects a worthwhile effort. We noted, however, that this trailed considerably behind the achievements of the highly successful We-B centre and one other centre within the Faculty .

We noted as well that the RAI is a measure based equally on an input measure (research funds obtained) and on output (40 per cent on higher degree completions and 10 per cent on publications). This measure relates directly to present funding priorities and is therefore important as far as continuing funding support is concerned.

FIMARC members have performed creditably on the research output side of the RAI but relatively less well in attracting outside funding.

We noted as well that the RAI approach in the short-term at least is likely to be at odds with a more traditional view of research success that places much greater weight on refereed publications¹. A "virtuous circle" may link outside funding with higher degree completions and refereed publications over a longer time frame. Yet the standing of a research centre in the eyes of academic peers, depends very much on the quality of research that its members produce in both the short-term and the long-term.

During our meeting we interviewed five research students associated with the Centre. Each was clearly very happy with the quality of the educational experience that they were receiving. They were idealistic, positive and complimentary to several members of the centre for their assistance and inspiration. It is clear that the work in the centre is exciting and inspiring its students.

4. The role of the Director and the effectiveness of the governance and management structure;

Professor Allen plays a pivotal role in the activities of the centre. He provides its major research output, and almost all research supervision. He has made an outstanding contribution to its achievements.

The governance and management structure of FIMARC appears sound but we were unable to assess its operation.

5. Links with other institutions;

These are strong and impressive for a centre with such a short history.

¹ A view that places 100 per cent of weight on refereed publications is not uncommon in many high profile finance, economics and accounting departments.

6. Visibility of the Research Unit and its reputation

Although the achievements of FIMARC are considerable, we held the view that its visibility and reputation have yet to emerge as strongly as they might in the eyes of the surrounding community and region.

Present and Future Challenges

Members of the panel quickly formed the view that despite its success, FIMARC faces a difficult path ahead, at least in the short-run. This is the result of several factors.

Perhaps the most immediate problem has arisen from the difficult financial position of the School of Accounting, Finance and Economics.

We understand that this has led to a **freezing of the Centre's budget in 2002**. The result has been that the Director has little or no administrative support, and that key data sources have become unavailable.

Of perhaps even greater concern was the **heavy teaching loads** that members of the School have been undertaking during the past year. Fourteen hours per week has become a standard load within the school, though some centre members apparently receive an allowance of three hours per week. These teaching loads exceed those in the other three public universities in Western Australia by a considerable amount.

The merger between Accounting and Finance and Economics, and the significant **contraction in staff numbers** in the recent past must also have been a difficult process. By way of example, we understand that the teaching establishment in the Economics area has now fallen to three members of staff. This is an extremely low figure in a large business school. Those faculty members must face a large and diverse teaching challenge that will undermine their ability to contribute to the research effort

Despite the above difficulties, **the qualifications, research activity levels and enthusiasm of the members of FIMARC and research students was impressive**. As noted previously, seven of the ten members of the centre hold PhD degrees and two others have submitted their theses for examination. This profile compares favourably with other universities elsewhere in Australia. It provides an excellent foundation for continuing success.

Our view is that it will be a significant challenge for the school in the short-term to retain this profile. With five lecturers among the ten members of the centre, and recent vacancies in related departments in other Australian universities where

teaching loads are less, **there is a potential immediate risk that two or three faculty may soon depart from the centre.** In view of the excellent work by Professor Allen to build FIMARC, this would be a significant setback.

We were greatly impressed by Professor Allen's loyalty to the university and his personal level of achievement. There must be some likelihood, however, if the Centre does lose momentum, that other institutions may make tempting offers to him.

Some Recommendations

If FIMARC is to build on its initial achievements it is clear that it requires strong and continuing support from both the School of Accounting, Finance and Economics, and the Faculty of Business and Public Management. This will be an investment in building the longer-term reputation of the Faculty and the University.

In this regard it is important that the Head of School of Accounting, Finance and Economics provides a strong and unequivocal formal statement of support for FIMARC.

Our view is that the minimum support to run a centre with Level I status is \$100,000 per annum². We understand that this is about five per cent of the School's current operating budget. This support should be provided as a matter of priority. If it cannot be made available it is likely that FIMARC will struggle on for another year or two and then quite possibly close.

We see that an important short-term strategy to maintain the centre's critical mass is to establish two or three more senior faculty positions (say two Senior Lectureships and one Associate Professorship) that are related to research performance and link with the aims and goals of FIMARC. It may be that active researchers in the centre will be suitable candidates for these positions. The establishment of such positions would increase the seniority profile of Centre membership, improve support for the Director, increase its ability to attract competitive grants and generate research output.

We will be pleased to discuss our views, if requested, with senior decision-makers within the University.

Philip Maxwell

Mark Barnaba

Jan Burn

Metana Mineral Professor
Curtin University of
Technology

Chief Executive Officer
Poynton and Partners

Professor and Head
School of Management
Information Systems

² Perhaps double this amount would be necessary for the centre to attain Level II status within the university.

Appendix

The Members of FIMARC - a brief profile

<i>Name</i>	<i>Rank</i>	<i>Field</i>	<i>Qualification</i>
Dave Allen	Professor	Finance	PhD (UWA)
Lee Lim	Lecturer	Finance	PhD (UWA)
Edward Lin	Lecturer	Finance	PhD (Texas Tech)
Marilyn Clark-Murphy	Senior Lecturer	Capital Markets	PhD (UWA)
Paul Gerrans	Lecturer	Finance	PhD candidate ECU
Mahendra Chandra	Lecturer	Finance	PhD candidate UWA
Y H Cheung	Lecturer	Economics	PhD (Oregon)
Clive Reynoldson	Senior Lecturer	Economics	PhD (UWA)
Theo Christopher	Senior lecturer	Accounting	PhD (ECU) pending
Atique Islam	AssociateProfessor	Accounting	PhD (Sydney)

There is also one Adjunct Professor and nine associate researchers.