Replication & re-examination of empirical research in corporate reporting and accounting

Massimiliano Bonacchi*, Marco Maria Mattei**

"I'll believe it when I see the replication"
Brown, Cameron & Wood (2014)

Replication in empirical research validates findings, identifies contextual boundaries, and promotes transparency in research. Replication studies are pivotal for assessing the durability and generalizability of research, creating a more reliable foundation for future scholarly work. This is even more true in social sciences, where observed phenomena may be affected by the institutional and social settings as well as by changes in people's beliefs over time. In this respect, replication and re-examination of prior studies should be an integral part of a social scientist's toolkit. In the accounting field, researchers should always feel a responsibility to validate new findings in different settings/periods, since empirical results can influence corporate decisions, stakeholders' behaviour, and regulatory standards without any precise limits of time and space.

This special issue of *Financial Reporting – Journal of Financial Communication* seeks to address the ongoing challenges and evolving perspectives in the replication and re-examination of prior studies in accounting research.

* Professor of Accounting and former Director of the Competence Centre for Sustainability, Faculty of Economic and management, University of Bolzano, Piazza Università, 1. He has been a visiting professor at NYU Stern School of Business and Baruch College CUNY. E-mail: massimiliano.bonacchi@unibz.it.

** Professor of Accounting, Department of Management, University of Bologna, Via Capo di Lucca, 34, 40134, Bologna (Italy) FL 32224. He is Head of the Department of Management at the Rimini Campus. He has served as Board Member of the Italian Accounting and Business Administration Association (SIDREA) since 2019. E-mail: marcomaria.mattei@unibo.it.

Doi: 10.3280/FR2024-002001

Copyright © FrancoAngeli.
E' vietata la Riproduzione dell'opera e la sua messa a disposizione di terzi,
sia in forma gratuita sia a pagamento.
Il documento può essere concesso in licenza individuale o istituzionale.

As highlighted in the literature (Easley et al., 2000), replication remains underemphasized and under-published in disciplines such as accounting, finance, and economics (Deward et al., 1986). This special issue aims to respond to the growing call within the academic community to test and validate foundational studies in evolving contexts. Seminal research often sets critical theoretical and methodological standards, but findings may vary when tested across different settings or periods or with new methods.

The lack of attention to the replicability of published works has been a longstanding issue in economics, finance, and accounting, as well as in other social sciences. In the 1980s, Dewald et al. (1986) observed frequent inadvertent errors in published economic studies, highlighting that, although the replication process is essential for correcting these errors and preserving empirical validity, it is not really considered an essential component of scientific activity. The reward of replicating previous research has been low, and high-ranked journals have infrequently published replications. For instance, Hubbard and Vetter (1991), focusing on the finance literature, reveal that only about 5.3% of studies involved replications or extensions. Their findings emphasize that replication with extensions, which attempt to generalize findings across contexts, produced conflicting results, casting doubt on the robustness of many finance studies. With reference to theory development in organizational studies, Tsang and Kwan (1999) broadened the discussion by categorizing replication types along two key dimensions: methodology and data sources. Their framework distinguished between exact replications, reanalysis, empirical generalizations, and conceptual extensions. Exact replications closely adhere to original methodologies, whereas conceptual extensions allow for different procedures and populations to assess generalizability. We believe that, in accounting research, any kind of replication, either with the same methods applied to different datasets or with a new methodological approach, can contribute to the literature.

In more recent years, Dyckman and Zeff (2014) have discussed the scant attention replication has received in accounting, attributing this to the "publish or perish" culture, where replications have been seen as less innovative. This climate has led to the widespread perception that accounting lacks a "replication culture," particularly concerning influential studies published in high-impact journals. This was confirmed by Salterio (2014), who could find only 25 accounting, auditing, or tax articles that used "replication" in either the article title or abstract among the thousands of articles published over the previous 20 years in the 83 accounting, auditing, and tax journals indexed by ABI/INFORM Global database. He noted that, despite the recent push from key figures in accounting to increase replication studies (e.g., Waymire,

Copyright © FrancoAngeli.
E' vietata la Riproduzione dell'opera e la sua messa a disposizione di terzi,
sia in forma gratuita sia a pagamento.
Il documento può essere concesso in licenza individuale o istituzionale.

2012; Basu, 2012), there remained significant resistance, partly due to cultural and systemic factors within the discipline. He attributed this resistance to a widespread belief among accounting scholars that replication lacks the novelty required for publication in top-tier journals and consequently does not provide professional benefits to researchers.

The replication problem has also arisen in other management disciplines (Easley et al., 2000; Evanschitzky et al., 2007). In economics, for instance, Chang and Li (2018) conducted an ambitious replication study, testing 67 macroeconomic papers from prominent journals. They reported a replication success rate of just 33% without author assistance, whereas they could not replicate more than half of the papers even with the help from the authors. Their work underscores serious limitations in replicability when data and code were incomplete or inaccessible.

Recently, Hail et al. (2020) have surveyed accounting researchers to gauge their perceptions of irreproducibility. The majority of respondents acknowledged irreproducibility as a prevalent issue, often attributing it to selective reporting and data accessibility challenges. The study also revealed that although many researchers encountered irreproducibility in others' work, few pursued replications to publication, confirming that professional incentives keep not aligning with rigorous replication efforts. Notwithstanding these challenges, replicability of published studies has been increasing in accounting, and several journals have changed their requirements to improve the transparency of articles' data analysis and their stance toward publishing replication studies. Salterio et al. (2022), studying 248 replication attempts in financial accounting and auditing, challenge the perception that replications are scarce in accounting. They find an increasing number of replications published in the six top accounting journals. Of the 298 studies analyzed in the 248 replication attempts, 60% were successfully replicated, while only 11% failed to confirm the original findings. This study suggests that the robustness of accounting research may be more reliable than previously thought, especially in high-impact journals.

In our opinion, replication should not only be viewed as a check on findings but as a core aspect of theory development. Research that revisits established studies – whether to confirm, refine, or dispute prior findings – should be valued as part of a healthy, progressive research culture. Moreover, replication in settings that differ from the original study – often centered in the United States (US) capital market – could significantly impact not only academic research but also the practices of managers, investors, professionals, and regulators. For example, managers might be interested in knowing which costs are more sensitive to a revenue shock like the Covid-19 pandemic or

Copyright © FrancoAngeli.
E' vietata la Riproduzione dell'opera e la sua messa a disposizione di terzi,
sia in forma gratuita sia a pagamento.
Il documento può essere concesso in licenza individuale o istituzionale.

the Ukraine War. Italian investors and professionals may want to know how Italian private firms perform as well as the relation between their Environmental, Social, and Governance (ESG) investments and market value. Finally, regulators could benefit from better understanding of the antecedents or consequences of certain corporate governance choices.

The articles of this special issue explore the diverse dimensions of replication, from methodological advancements to the use of innovative statistical techniques that enhance replicability across studies (Nosek et al., 2012).

In particular, the first article "The dynamics of cost behaviour: Unveiling sticky costs in private companies" by Nicola Dalla Via explores the applicability of cost stickiness to private companies. The term "sticky," which refers to cost dynamics, was introduced by Anderson et al. (2003) to refer to costs that increase more when sales rise than they decrease when sales fall by an equivalent amount. Dalla Via replicates and extends the empirical approach used by Anderson et al. (2003), who originally studied cost stickiness in US public firms, to investigate whether cost behaviour in private firms mirrors that of public firms – a topic that has produced inconsistent findings in previous studies. This replication uses a dataset of private Italian firms and broadens the scope of the analysis by including cost categories such as selling, general, and administrative (SG&A), labour, rent, and operating expenses. Dalla Via shows that cost stickiness varies significantly between private and public firms and finds that private ones exhibit lower SG&A cost stickiness compared to large public firms, while labour and rent costs still show asymmetric behaviour. This research enhances our understanding of cost management in private firms in a continental European country, emphasizing the importance of contextual factors in cost behaviour, which can inform both academic perspectives and practical applications in management accounting. Moreover, understanding the dynamics of sticky costs in private companies offers insights for managing operational flexibility during periods of fluctuating demand. Recognizing that cost structures may not adjust symmetrically with changes in revenue can help managers better anticipate and control costs, enabling better strategic planning and resource allocation, especially in uncertain economic environments.

The relation between financial structure and value is re-examined in the article "Does leverage create or destroy value in the long run? A re-examination of Nissim and Penman (2001)" by Antonio de Vito, Lorenzo dal Maso, Noemi Pecoraro, and Patrizia Petrolati. In particular, the authors empirically test whether leverage contributes to either value creation or disruption in the long run. Using the ratio framework developed by Nissim and Penman (2001) applied to 32 different countries over a period of almost 30

Copyright © FrancoAngeli.
E' vietata la Riproduzione dell'opera e la sua messa a disposizione di terzi,
sia in forma gratuita sia a pagamento.
Il documento può essere concesso in licenza individuale o istituzionale.

years (from 2005-2022), the authors offer three major insights. First, they present a useful descriptive overview of the median values for key financial ratios across 20 years. Second, their analysis confirms the benefit of leverage for firm returns. Finally, firms operating in high rule-of-law countries consistently outperform their counterparts in key metrics such as return on net operating assets , return on common equity, and spread, indicating more efficient operations and better capital allocation. Overall, the findings illuminate how ratios evolve, particularly in times of economic uncertainty and geopolitical tension. Thus, the paper offers critical information to managers in their operating and financial decisions and to investors for their capital allocation decisions.

In the article "Do female auditors affect accruals quality? A replication and extension of Ittonen, Vahamaa, and Vahamaa" (2013), Camilla Ciappei, Claudia Frisenna, and Diletta Vianello investigate the association between auditor gender and accruals quality in Italy. Specifically, Ciappei et al. examine how individual characteristics, especially gender, can influence auditors' effectiveness in mitigating earnings management. This is particularly relevant to Italy's cultural and regulatory landscape, which contrasts sharply with more progressive environments regarding gender equality issues. The authors' findings demonstrate that female auditors are associated with less earnings management. The study underscores the connection between gender and ethical standards within the auditing profession. Recent legislative efforts to advance gender equality further enhance the relevance of these findings. Overall, this study enriches the ongoing dialogue surrounding gender diversity and its critical role in corporate governance. Most importantly, by manually collecting audit partner names from corporate governance reports, the authors offer to academia, Italian professionals, and regulators with a more detailed view of auditing in the Italian capital market.

The fourth article, "Elections and earnings management: Further evidence from Benford's law" by Francesco Capalbo and Luca Galati, investigates earnings manipulations in municipally owned entities (MOEs) around election periods. In the wake of Ramanna and Roychowdhury's (2010) seminal work, Capalbo and Galati reinterpret the findings of Capalbo et al. (2021), who explored earnings management in Italian MOEs during local elections, using a methodology based on Benford's law to detect anomalies in reported figures. Benford's Law predicts that, in naturally occurring datasets, certain digits appear with predictable frequencies, so deviations from this pattern can indicate data manipulation. This research confirms that MOEs engage in "cosmetic earnings management" prior to elections, likely due to pressures from incumbent politicians aiming to improve financial ap-

Copyright © FrancoAngeli.
E' vietata la Riproduzione dell'opera e la sua messa a disposizione di terzi,
sia in forma gratuita sia a pagamento.
Il documento può essere concesso in licenza individuale o istituzionale.

pearances for electoral advantage. Specifically, the authors find a statistically significant overuse and underuse of certain total revenue digits in financial statements drawn during pre-electoral period. They also find that revenue figures are frequently rounded to favourable numbers, which aligns with the performance expectations hypothesis. For practitioners, this study suggests that auditors and forensic accountants, applying similar analyses, can detect earnings manipulation, ensuring greater transparency and integrity in public-sector financial reporting during politically sensitive periods.

With a focus on the Italian market, the article "Early warning systems for financial crises prediction in private companies: Evidence from the Italian context", by Mario Daniele and Elisa Raoli, aims to enhance predictive models for financial crises among private companies. Specifically, it addresses the need for reliable early warning systems (EWS) due to the vulnerability of private firms and the economic repercussions of their potential failure. The study revisits classic methodologies, such as Altman's Z-score and Beaver (1966), and, for comparison, replicates the approach of Jemovic and Marinkovic (2019), adapting it to a broader sample of private firms. By testing both static and dynamic models, Daniele and Raoli demonstrate that a dynamic EWS, accounting for time-based changes in financial indicators, substantially improves medium-term predictive accuracy over static models. In the light of European Union Directive on business failure, their model may be useful for investors and lenders, balancing predictive reliability and operational simplicity tailored for smaller firms.

The last article of this special issue, "Revisiting the impact of ESG on financial performance: Empirical evidence from the Italian Stock Exchange", by Michele Bertoni, Paolo Candio, and Paola Rossi, examines the relationship between the ESG performance of Italian listed firms and their financial performance. The main finding is the positive impact of ESG performance on market-based performance (measured as Tobin's Q) but no significant impact on accounting-based performance (ROA). In other words, investing in ESG creates intangible assets that are recognized by the market, although it may penalize current reported performance. Interestingly, within the ESG framework, the Governance dimension has the strongest influence on financial performance in comparison to the Social aspects, and Environmental performance is not associated with Tobin's Q. This study may help investors and managers better set expectations about how an ESG strategy may affect a firm's different performance metrics.

Numerous scholars have emphasized the importance of replication research in strengthening the quality and credibility of both scientific and social scientific studies, with particular relevance to the field of accounting.

Copyright © FrancoAngeli.
E' vietata la Riproduzione dell'opera e la sua messa a disposizione di terzi,
sia in forma gratuita sia a pagamento.
Il documento può essere concesso in licenza individuale o istituzionale.

We acknowledge the challenges inherent in publishing replication studies and express our gratitude to the editors of the *Journal of Financial Reporting* for supporting our special issue proposal. It is our hope that the articles in this issue will reach a wide audience, including not only academics but also managers, investors, professionals, and regulators. We view replication studies as a vital tool through which accounting scholars responsibly can influence the broader economy and key stakeholders.

References

Anderson, M., Banker, R., & Janakiraman, S. (2003). Are selling, general, and administrative costs ‘sticky’?. *Journal of Accounting Research*, 41(1), 47-63. Doi: 10.1111/1475-679X.00095.

Basu, S. (2012). How can accounting researchers become more innovative?. *Accounting Horizons*, 26(4), 851-870. Doi: 10.2308/acch-50202.

Beaver, W. H. (1966). Financial ratios as predictors of failure. *Journal of Accounting Research*, 4 (Supplement), 71-111. Doi: 10.2307/2490171.

Brown, A. N., Cameron, D. B., & Wood, B. D. K. (2014). Quality evidence for policymaking: I’ll believe it when I see the replication. *Journal of Development Effectiveness*, 6(3), 215-235. Doi: 10.1080/19439342.2014.944555.

Capalbo, F., Lupi, C., Smarra, M., & Sorrentino, M. (2021). Elections and earnings management: Evidence from municipally-owned entities. *Journal of Management and Governance*, 25, 707-730. Doi: 10.1007/s10997-020-09523-z.

Chang, A., & Li, P. (2018). Is economics research replicable? Sixty published papers from thirteen journals say ‘often not’. *Critical Finance Review*. Doi: 10.1561/104.00000043.

Dewald, W., Thursby, J., & Anderson, R. (1986). Replication in empirical economics: The Journal of Money, Credit and Banking project. *American Economic Review*, 76, 587-603.

Dyckman, T. R., & Zeff, S. A. (2014). Some methodological deficiencies in empirical research articles in accounting. *Accounting Horizons*, 28(3), 695-712. Doi: 10.2308/acch-50823.

Easley, R. W., Madden, C. S., & Dunn, M. G. (2000). Conducting marketing science: The role of replication in the research process. *Journal of Business Research*, 48(1), 83-92. Doi: 10.1016/S0148-2963(98)00076-6.

Evanschitzky, H., Baumgarth, C., Hubbard, R., & Armstrong, J. S. (2007). Replication research’s disturbing trend. *Journal of Business Research*, 60(4), 411-415. Doi: 10.1016/j.jbusres.2006.12.003.

Hubbard, R., & Vetter, D. E. (1991). Replications in the finance literature: An empirical study. *Quarterly Journal of Business and Economics*, 30(4), 70-81.

Copyright © FrancoAngeli.
E’ vietata la Riproduzione dell’opera e la sua messa a disposizione di terzi,
sia in forma gratuita sia a pagamento.
Il documento può essere concesso in licenza individuale o istituzionale.

Jemović, M., & Marinković, S. (2019). Determinants of financial crises – An early warning system based on panel logit regression. *International Journal of Finance and Economics*, 26(1), 103-117. Doi: 10.1002/ijfe.1779.

Nosek, B. A., Spies, J. R., & Motyl, M. (2012). Scientific utopia: II. Restructuring incentives and practices to promote truth over publishability. *Perspectives on Psychological Science*, 7(6), 615-631. Doi: 10.1177/1745691612459058.

Ramanna, K., & Roychowdhury, S. (2010). Elections and discretionary accruals: Evidence from 2004. *Journal of Accounting Research*, 48, 445-475. Doi: 10.1111/j.1475-679X.2010.00373.x.

Waymire, G. B. (2012). Seeds of innovation in accounting scholarship. *Issues in Accounting Education*, 27(4), 1077-1093. Doi: 10.2308/iace-50231.

Copyright © FrancoAngeli.
E' vietata la Riproduzione dell'opera e la sua messa a disposizione di terzi,
sia in forma gratuita sia a pagamento.
Il documento può essere concesso in licenza individuale o istituzionale.