

## **CASE STUDY RESEARCH AND IMPROVING ACCOUNTING RESEARCH**

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### **ABSTRACT**

In popular belief, researchers and academics, case studies are merely a supplement to other methods of research. We describe case study research and explain its value for developing theory and informing practice. On the other hand, we intend to explain how we can promote accounting research.

The aim of this study is to present the benefits of case study research, in order to make way for new research in accounting. Therefore, in this paper, the problems in accounting research and phronesis concept are introduced. In general and with regard to the views of researchers, case study is a valuable tool for understanding complex phenomena and case studies have multiple research benefits and can be used to test existing theory and to generate new theory and also used as a solution for accounting research. We believe that, there is a need to use more from case studies research in accounting. Also, like other research methods, this method has some limitations. But because of a deep and comprehensive view of the case study on study and review of the accounting phenomenon, we think that, it's necessary for researchers to pay more attention to case study research accounting.

In this paper, the case study researches are defined so that, to recognize and understand these researches and achieve to the importance of this type of case study research for the development of accounting theories. Subsequently, examples of case studies in the areas of management accounting, auditing and financial accounting will be provided the strengths of case studies to "development of theory" and "their potential for generating new knowledge". This article deals with a variety of misconception about case studies and in the end, according to research conducted by the authors, suggestions for obstacles completed case studies will be presented.

**Keywords:** *Case study research, Phronesis, Accounting, Accounting's theory*

### **INTRODUCTION**

In popular belief, researchers and academics, case studies are merely a supplement to other methods of research. In other words, many believe that, this type of research alone is not worth much, and is complementary to other methods of research. The purpose of this paper is not to present case studies as the best kind of research, but firmly declare that incorrect existing interpretations and accounting researchers ignorance of the important role accounting case studies in the development of theory cause to the use of this approach research at the universities faced with many problems and limitations.

In many cases, the accounting research is caught between the two sides of pragmatism (due to practical aspects of professional accounting) and Knowledge-oriented (due to innovation and progress in accounting knowledge).

Case studies can help researchers respond to these challenges and contribute to relevant knowledge. Provided examples about case studies in this article in the areas of financial accounting, management accounting and auditing, are the evidence for this claim and show the value of case studies in making accounting research matter, both for the development of theory and for improving practice. In so doing, we identify four types of case study and show how each type can improve accounting research and practice.

## **Review Article**

Most accountants are familiar with case studies in relation to teaching. They provide vivid examples that can be used for many purposes, not least to generate an appreciation of the way a general principle can be applied in specific, and often complex, settings (Cooper and Morgan, 2008).

But the main emphasis of this paper is on research-oriented case studies and shows how can promote accounting research. It should be noted that "teaching-oriented case studies" are fundamentally different from "research-oriented case studies".

## **Definition of Case Study Research**

In specialized dictionaries about sociology, a case study research has been defined as follows:

"Accurate and sophisticatedscrutinizeof a phenomenon that, is selected from between the group of phenomena. Case Study can not to provide dependable information in relation to the whole group (society), but it can be useful in the early stages of research to develop research hypotheses. Usually in the later stages of the research, using other research's methods and using larger samples, the hypothesis is tested. (Abercrombie, Hill, & Turner, 1984) "

Case studies are a research approach, a systematic and organized way to produce information about a topic, as well as the product of this approach, for example, a paper (Stake, 2000).

Azkiya and Darban Astane (2003) declared that, case study is experimental research about current events or contemporary times or within the context of real-life research when the boundaries between phenomenon and context research are not clear that there are several evidences that can be used as evidence or document.

Anderson (1993) defined case study as a background check, how and why something happens and the difference between what was planned and what happened.

For the approach we are recommending, various terms can be used, including field studies, interpretive studies, qualitative research, small n (small sample) studies, action research, and constructive research(Cooper and Morgan, 2008).

Yin (1989) declares that case studies are suited to answer "how" and "why" questions. Furthermore, well-done case study research answers how and why so compellingly and vividly that readers understand and remember the findings the study reveals. Practitioners find "how" questions to be particularly important—for example, case studies are valuable in describing the details of how new accounting and auditing innovations are actually done.

Case studies also address "why" questions, illustrating why something was done or came to be, or when and why something works (Cooper and Morgan, 2008).

Schon (1983) argues that case studies are valuable to the "entire process of reflection-in-action, which is central to the 'art' by which practitioners sometimes deal well with situations of uncertainty, instability, uniqueness and value conflict" (Cooper and Morgan, 2008).

Although any research approach can focus on how or why, non-case approaches typically emphasize different questions. Statistical analyses using large data sets have a comparative advantage in answering "how much" questions, such as the average size of CEO compensation or the average difference in compensation for companies with, for example, high versus low ROA. Experiments may be particularly helpful in answering "what" questions such as what type of response individuals might have to a proposed accounting measure or disclosure (Cooper and Morgan, 2008).

## **Developing Knowledge using Case Study Research**

A case study is done many ways, but in this paper, we explain the types of research that is research-oriented and has the significant potential to improve. Details that provided and tested by case studies will

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increase the possibility of creating new theories and new ideas and therefore we can develop knowledge with using case study research.

Cooper and Morgan (2008) believed that, the case study research approach is useful where the researcher is investigating:

- Complex and dynamic phenomena where many variables (including variables that are not quantifiable) are involved;
- Actual practices, including the details of significant activities that may be ordinary, unusual, or infrequent (e.g., changes in accounting regulation); and
- Phenomena in which the context is crucial because the context affects the phenomena being studied (and where the phenomena may also interact with and influence its context).

Therefore we can use case study research in accounting to develop knowledge and Deal with problems, since we explain exiting problems in next section.

### **Problems in Accounting Research**

While the ideal of generalized, replicable, empirically based knowledge may be achievable in the natural sciences, and may help answer many questions in accounting, several commentators have pointed out accounting research's limited success in producing useful knowledge. That is, accounting research has had little success in terms of its capacity for being (1) generalized to related fields (2) relevant to practitioners (Cooper and Morgan, 2008).

A critical issue in accounting research, as well as in practice, is the best way to generate relevant information in relation to some problem or theory. Much research in accounting focuses on determining the average behavior of variables in large samples with the purpose of producing reliable and valid generalizations to a wider population. Such research is appropriate for problems such as capital markets' reactions to new accounting rules or the average response of workers to changed performance standards. For example, Starbuck (1993) observes, the knowledge generated by such methods is useful for some problems, but not others. Statements may be true for a population but false for every member of that population (Cooper and Morgan, 2008).

### **Case Study: the Solution to the Accounting's Research Problems**

We believe that, by adding case studies into exiting approaches in accounting research, will reduce some of the problems of accounting research. Case study is useful in making questions, emphasis on some issues, develop and test theories and also provide guide lines for solving problems.

Cooper and Morgan (2008) declared that, the sensitivity to context of case research allows and encourages researchers to consider questions that may not be considered in other research approaches. Researchers may select cases where the use of accounting information is contested, perhaps involving decisions on plant closures or moving jobs offshore to a low wage or less regulated economy. Funnell (1998) provides a dramatic and provocative case that examines accounting's role in dehumanizing victims through their quantification. Further cases may then be selected to identify similar situations where accounting may have dehumanized those who are affected by a decision. Provocative cases can raise important general concerns, and deliberation about them can help accountants and policy makers more adequately judge the limits of viewing accounting as a neutral technology. Of course, provocative research must be well executed, so readers can be confident that the evidence was carefully examined. For example, Yin (1989) notes, the case must show sufficient evidence, consider alternative perspectives, and be complete (Cooper and Morgan, 2008).

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### **Phronesis**

We believe that, case studies may have comparative advantages for generating knowledge and can complement other, more traditional approaches to accounting research. Cooper and Morgan (2008) said that, however, the situational and specific focus of case studies has another advantage: insight into a type of knowledge called *phronesis*, which Aristotle considered “practical wisdom”:

Flyvbjerg (2001) explained that, *phronesis* goes beyond both analytical, scientific knowledge \_episteme\_ and technical knowledge or know-how (*techne*) and involves judgments and decisions made in the manner of a virtuoso social and political actor. Flyvbjerg (2001) suggested that, social scientists should play to our strengths, and use not only the methods of the natural sciences, but also embrace the study of values and the application of formal and tacit knowledge in complex, specific, and frequently conflictual, circumstances. While the success of experimental and archival research demonstrates the benefits of following the methods and approach of natural sciences, accounting research should also recognize that organizational, economic, and social activities are affected by the values, interests, and power of the people involved (Cooper and Morgan, 2008).

On the other hand, *phronesis* is the knowledge or wisdom (often tacit) in applying scientific or technical knowledge in a particular context, with specific purposes in mind (Cooper and Morgan, 2008).

Cooper and Morgan (2008) believe that, *phronesis* involves the intellectual, contextual, and political knowledge in the employment of scientific and technical knowledge. It can be oriented simply to identifying and exploring issues of expertise and values, but it can also allow the researcher to engage in debate with practitioners, other researchers, and the interested public to ask : What effects are desirable and which are undesirable, and for whom?

Flyvbjerg (2001) argued that, “the goal of *phronetic* ... research is to produce input to the ongoing dialogue ...rather than to generate ultimate, unequivocally verified knowledge ... one ought to trust more in the public sphere than in science”.

Furthermore, case studies, while contributing to practice, can also be valuable for theoretical work in identifying new problems to be investigated and testing theories of reasoning, decision making, and justification in complex and value-laden contexts. Stake (2000) introduced the theory as the “best possible explanation of phenomena” and Cooper and Morgan (2008) used the label “theory,” but stressed that the “phenomena,” which are the focus of *phronesis*, will be particular, specific, and situational. Furthermore, the “explanation” arrived at in the case study will be interpretative and include consideration of values—who wins, who loses, and by what mechanisms—and analysis of what is desirable. While not all case research needs to address theory, or explicitly address values and generate *phronetic* knowledge, case studies that reliably contribute to practice are likely to do so.

### **Types of Case Study Research**

There are various categories of case studies ,including the classification of “a single case study-multiple case study”“ Exploratory-Explanatory -Description case study" ,"holistic case study–detailed case study " and" internal review case study–Instrumental case study. But in this paper, we classify the case studies into four main groups as what Cooper and Morgan (2008) did: Extreme or deviant cases, maximum variation cases, critical cases, and paradigmatic cases.

Of course, these types overlap and case study research may incorporate features of several of these types. The appropriateness of the type of case study will depend on the purpose and problem under investigation Cooper and Morgan (2008).

Table 1 has been presented a summary of the types of case studies and different purposes case studies on the spread of knowledge and the development of accounting theories. The table 1 is being adopted from (Cooper and Morgan, 2008).

**Table 1: Types of Cases**

Types of Cases	Description	Accounting Examples
Extreme/deviant	Case chosen to learn from unusual (but often important) events or situations.	Funnell (1998); Lys and Vincent (1995).
Maximum variation	Cases chosen to learn about one Phenomenon, while enabling variation of other, potentially moderating, variables.	Merchant and Manzoni (1989); Simons (1990).
Critical	Case selected to enable logical deductions about the falsification of a theory.	Preston (1989); Merino and Neimark (1982).
Paradigmatic	Case selected to establish a new Perspective or theoretical understanding.	Pentland (1993); Townley et al. (2003)

Reference: Flyvbjerg (2001)

## EXAMPLES OF CASE STUDY RESEARCH

In this section of paper, we introduce some of examples of case study research in managerial accounting, auditing, and financial accounting. While none of these examples are perfect, they all can be interpreted to show the value of case study research in accounting. Cooper and Morgan (2008) believed that, these case studies can enhance research in managerial accounting, auditing, and financial accounting.

### Case Study Research in Management Accounting

Cooper and Morgan (2008) declared that, case study research in managerial accounting is more popular than in other areas of accounting, and excellent reviews of these studies exist, often including insightful comments on research methodology (e.g., Keating 1995). Kaplan (1986, 1998) has played an important role in popularizing case research in management accounting.

In general, phronetic case studies emphasize contextualization of the phenomena under study, recognition of the importance of incorporating and understanding different values and interests, and the operation of power (Cooper and Morgan, 2008).

Townley et al. (2003) case begins with the attempt by government departments in a Canadian province to introduce a strategic performance measurement system. It documents how, unlike most theoretical views of system implementation, managers had initial enthusiasm for the reforms, because the changes stimulated opportunities for deliberation and discussion.

Preston (1989) studied the creation of an accounting system in an explicitly anarchistic organization. The research attempts to apply the theory of symbolic interaction to understand the formalization of management control systems.

Preston (1989) examined pressures for a firm in the cultural sector, committed to working without contracts and formal records, to develop a formal (and standard) accounting system (Cooper and Morgan, 2008).

### Case Study Research in Auditing

Cooper and Morgan (2008) said that, there is an increasing tradition of case studies of audit work and the operation of audit firms (e.g., Dirsmith and Covalesski 1985; Covalesski et al. 1998).

The most important case studies in auditing research is the research done by (Pentland, 1993). The results led to the same set of case studies to follow Pentland(1993) research in the field of design and execute audit(Power, 2003).

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Cooper and Morgan (2008) explained that, Pentland studied the activities of two audit teams in an effort to better understand how auditors become comfortable with the numbers in financial statements and the representations provided by management. He noted that, "auditors work in sensitive and stressful environments and have enduring mutual relations with other members of the audit team, audit firm, employers, and their profession". He examined audits of between 1,000 and 2000 hours and selected cases with significant variation, providing a maximum variation case. The same firm had done one audit for ten years; in the other the firm had audited the client for only one year.

He gathered evidence and used this evidence to extract personal experiences and feelings auditors and presented theoretical analyses of identity and self-presentation by using this evidence.

He observed the audit process and found that, how comfort is produced during the audit firms (such as documents reviewing, Disclaimer and behavior of participants), he argued the comfort created in the micro-interactions of audit team members leads to comfort in the audit opinion, comfort in securities documents (via "comfort letters," for example), and comfort by capital market participants and society in the financial statements (Cooper and Morgan, 2008).

### **Case Study Research in Financial Accounting**

In this section, we concentrate to case-based financial accounting research to demonstrate some of the advantages of expanding case study research in financial accounting.

Perhaps the most well-known type of case study in financial accounting relates to how accounting rules affect the behavior of investors and managers. For example, Lys and Vincent (1995) can be regarded as an example of an "extreme case" as it portrays an unusual circumstance, intended to develop new theoretical insights, extensions, or modifiers (Cooper and Morgan, 2008).

Lys and Vincent (1995) used different case studies approaches. Variety of data sources such as annual reports, stock prices, and newspapers. They used different theories for the interpretation data such as efficient markets theory from financial economics, escalation of commitments theory from psychology, and "the endowment effect" from organizational behavior. Cooper and Morgan (2008) suggested that, Lys and Vincent's (1995) findings, which may contradict pre-existing theories, show the strengths of extreme cases to contribute to theoretical development.

Neimark (1992) investigated how the annual reports reflected as well as reinforced shifting social attitudes such as the value of state expenditures and regulation. The results (Neimark, 1992) in relation to the ideological role of annual reports, stating that it was a conflict of interest between managers and accountants can reduce the financial reports power's on corporate accountability and provide related information on decision-making.

Merino and Neimark (1982) can be regarded as a critical case, with a goal of testing whether accounting regulations are focused on information for investor decision making. They indicated that, the new regulations will not increase the quality of information and thereby not improve and protect their investment decisions.

### **RESULTS**

As we explain, in popular belief, researchers and academics, case studies are merely a supplement to other methods of research. In other words, many believe that this type of research alone is not worth much, and is complementary to other methods of research.

Overall, case studies are a valuable tool to understand complex phenomena. Case studies have multiple research benefits and can be used to test existing theory and to generate new theory. The vividness of cases can dramatize theoretical issues, improving communication of important insights to practitioners (Cooper and Morgan, 2008).

Case study research open up new and promising areas for accounting research. Yet relatively few case studies in accounting research have been done. Case studies are difficult and challenging to undertake, often requiring significant resources (time and financial).

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We think that, a reason that case study research used few is, because there are misconceptions about case study research. For example, Yin (1989) believed that, because of lack of discipline and cohesion in many case studies, discipline and academic integrity is not respected. Often has been seen the researcher (case study), has carelessness and allowed the evidence and biased views to influence the findings and conclusions.

Saroukhani (1994) declared that, although the case studies a valuable tool by using it, we can discover significant variables, but it doesn't provide the ability to generalize data, since it only happens on one case over a period of time.

In this paper, we find that, case study research should be used in accounting more than before. Because case study research has many benefits and the provided examples in this paper, can be interpreted to show the value of case study research in accounting.

We believe that, there is a need to use more from case studies research in accounting. Also, like other research methods, this method has some limitations. But because of a deep and comprehensive view of the case study on study and review of the accounting phenomenon, we think that, it's necessary for researchers to pay more attention to case study research accounting.

Practitioners and parties such as regulators, standard setters, and managers can provide access to organizations or data to facilitate research that can illuminate issues they face (Gendron 2000). Such actions may help to demonstrate the value of phronetic research. However, we recognize that research (and contributing to practice) is as much a political as a scientific process, and, in phronetic fashion, we recognize that our suggestions might undermine the power and privileges of existing research elites (Arrington and Schweiker 1992; Hopwood 2007). Any move to case studies and phronetic research in accounting will involve a political as much as a scientific shift (Latour 1999).

At the end, according to the characteristics of this type of research, we recommend further investigations in this field and its applications in a variety of accounting research (Cooper and Morgan, 2008).

### **CONCLUSION**

In this paper, we study various subjects, such as definition of case studies and say that, case study is accurate and sophisticated scrutiny of a phenomenon that, is selected from between the group of phenomena. A case study is done many ways, but in this paper, we explain the types of research that is research-oriented and has the significant potential to improve. Details that provided and tested by case studies will increase the possibility of creating new theories and new ideas.

And then, we explain how we can develop knowledge using case studies, on the other hand, we declare problems in accounting research and introduce case studies as a solution to the accounting's research problems. We believe that, by adding case studies into existing approaches in accounting research, will reduce some of the problems of accounting research. After that, we explain phronesis that, it is the knowledge or wisdom (often tacit) in applying scientific or technical knowledge in a particular context, with specific purposes in mind (Cooper and Morgan, 2008). Subsequently, examples of case studies in the areas of management accounting, auditing and financial accounting will be provided the strengths of case studies to "development theory" and "their potential for generating new knowledge".

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