

**Institution: London School of Economics and Political Science**

**Unit of Assessment: 19: Business and Management Studies**

**a. Context:** The three academic departments (Accounting, Finance and Management) that constitute the BAMS UoA are central to LSE's mission of social science-based engagement with the accounting, finance and banking, management, and legal professions as well as public policy makers. The location of LSE, in close proximity to the City of London, corporate headquarters, government departments and the accountancy and consulting professions provides an ideal platform for a diverse range of engagements, including advice to specialist committees and regulators, dedicated events and seminars for practitioners, and formal and informal linkages with professional bodies. Individuals and groups within BAMS also engage extensively with practice and policy at the international level, and the three departments are global hubs in their own specialised fields. In particular, BAMS hosts a number of internationally-significant research centres that explicitly act as fora to influence policy and practice.

**b. Approach to impact:** Research impact is supported centrally by the School through investment in human capital and research infrastructure. The departments have made use of HEIF4 and 5 funds to which faculty can apply for research projects with a strong engagement and impact agenda. A total of c£250k was secured from these sources in the REF period, including funding for the Risk & Regulation workshops (Finance), the Innovation Co-creation Lab and the Network Economy (Management). BAMS is supported by a dedicated School Knowledge Exchange Manager, LSE Enterprise, and the Press Office.

Specifically, all three departments facilitate the development and dissemination of practice-relevant academic research through direct engagement with practice and policy. Seminars, conferences, and the activities of our research centres, including research funded from both private and public sources, are pivotal to this. The three departments support a diversity of research styles, spanning the spectrum of fundamental and applied analysis. Running thriving series of events with practitioners and policy makers serves the purpose of knowledge exchange, but also generates research ideas and problems for investigation, and in some cases financial support. Our approach, however, encourages the specific research interests of individual faculty and group research initiatives.

LSE's **Department of Accounting** (DoA) maintains strong historical relationships with professional and policy bodies and engages extensively with them. As an example, Bromwich (Emeritus) was a former president of the Chartered Institute of Management Accountants (CIMA) and Van der Stede is the current CIMA Chair, a role which involves significant influence on CIMA's research agenda and the professional and curricular initiatives that underpin CIMA's support of the global financial management community. Van der Stede also contributes to CIMA public lectures, such as his opening plenary of the 2010 World Congress of Accountants for an audience of over 6,000 accounting professionals from 134 countries. In 2011, Van der Stede addressed the topic of corporate governance reporting and the critical roles of regulators, issuers and users at a time when rules in this area were still evolving, both at CIMA's Anthony Howitt Lecture for senior financial management professionals and Austria's Controllers Association. Another DoA faculty member, Pope, has served as the Academic Coordinator of the Institute of Quantitative Investment Research (UK) since 1991.

DoA has equally strong links with the Institute of Chartered Accountants in England & Wales (ICAEW). Macve (Emeritus) is Academic Advisor to their Centre for Business Practice and a member of ICAEW's Environmental Steering Group and its Technical Steering Committee as well as the Accounting Standard Board's (ASB) Academic Panel. ICAEW members regularly attend DoA's Accounting Research Forums and Power gave again the ICAEW's influential PD Leake Lecture in 2009 (which he also did in 2004 and 1999). The 2013 PD Leake Lecture was given by Bhimani from Accounting and Willcocks from Management.

DoA's approach to impact is also evident from the Management Accounting Research Group conference held at LSE each year and sponsored by CIMA and ICAEW to bridge research and practice. DoA has an active Accounting Research Forum for renowned scholars, and two specialty-area workshop series in capital markets and institutional approaches to accounting. DoA also organises practitioner-academic events in the field of financial reporting (with Manchester Business School) and recently hosted a Public Lecture by Hoogervorst, Chairman of the International

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Standards Accounting Board. Furthermore, Van der Stede has been a member of two impact-oriented American Accounting Association (AAA) President's taskforces; one on Seeds of Innovation (2011-12) and one on Global Engagement (2013-14). Individual faculty have strong links with the major accounting firms and four current faculty are professionally qualified (Bhimani, Morley, Pope, Power) which further enables credible interaction. DoA also has recently appointed Visiting Professor Holgate, a technical specialist and former partner of PriceWaterhouseCoopers.

Central to our approach to impact, DoA has hosted for over a decade the Centre for the Analysis of Risk & Regulation (CARR) that has influenced a number of regulatory bodies. CARR was an ESRC research centre for 10 years involving faculty from DoA as well as Government and Sociology. CARR continues to have global recognition in risk regulation research as reflected in its flagship *Risk & Regulation* magazine, seminar series, discussion groups and extensive networking. CARR publishes a widely-accessed discussion paper series online and engages in outreach to practice and policy communities. Recently, advice was given to the Parliamentary Commission investigating standards in banking; to the British Airline Pilots Association on fatigue risk management; and to Ofgem on impact assessment. Power, currently Director of CARR, leads an ESRC project on *Risk Culture in Financial Organisations* co-funded by other private bodies (Chartered Insurance Institute (CII), CIMA, Lighthill Risk Network) with interim and final reports presented in 2012 and 2013, receiving prominent interest from the press and non-sponsoring professional organisations such as ICAEW.

The **Department of Finance's** (DoF) approach to impact is built on a core commitment to excellence in research, and the thematic work of its two research centres, in particular: the Financial Markets Group (FMG) and the new ESRC Systemic Risk Centre (SRC). Policy and industry focused research is presented at internal workshops and seminars before being presented at our specialist conferences. Faculty also work directly with researchers at financial institutions such as the Bank of England, the New York Federal Reserve, and the European Central Bank (ECB). Research is initially published through FMG's widely-circulated Discussion and Special Paper series, with the ultimate aim of publication in major academic journals or, where appropriate, conference volumes. DoF also enhances its engagement with practitioner communities via its Visiting Professors programme, which has included Banziger and Knight (both from Deutsche Bank), Hardyman (Bessemer Partners, Harvard Business School), and Kengeter (former Head of UBS Investment Bank).

DoF's approach to impact involves engagement with practice via one of FMG's six highly-active research programmes (see REF5 for details). For example, the Private Equity (PE) programme runs a series of panel discussions with senior members of the PE community in London, including from Blackstone, Silverlake, and Abraaj Capital, as well as the British Venture Capital Association, for whom a research report was produced. The Corporate Finance & Governance programme runs a series of workshops engaging with the principal regulatory bodies, the legal profession in London, and various investment banks. It has also run occasional conferences with significant user involvement, and Ferriera has worked with the European Commission on shareholder democracy. The work of the Paul Woolley Centre is developed via internal workshops and disseminated in part through an annual event. Its work has also had significant impact through active engagement with the media such as *The Economist* and the *Financial Times* and through Paul Woolley's frequent presentations to the portfolio management and pensions industry.

DoF/FMG host a rich programme of internal seminars and workshops, involving a number of visiting faculty from globally-renowned institutions. Regular research seminars include:

- Weekly Capital Markets Workshop (open to the public);
- Weekly Lunchtime Finance Workshop (by invitation only);
- Fortnightly London Financial Regulation Seminar series (open to the public);
- Weekly Paul Woolley Centre lunchtime Seminar;
- Weekly PhD Workshop Seminar.

Finance research is disseminated to the wider practitioner community via regular conferences. During 2008-2013, DoF held c50 conferences and public lectures as listed in REF5. These were funded by DoF's research programmes and its principal sponsors (Paul Woolley, Abraaj Capital, AXA, Deutsche Bank, Bank of England, HEIF4). The more technical elements of DoF's work are disseminated via the FMG Discussion Paper series (c200 papers in 2008-2013); more policy-orientated papers are disseminated via the Special Paper series (c40 papers in 2008-

2013). All papers are widely-circulated to the academic and practitioner communities via the FMG mailing list (c3000 contacts). DoF also encourages the sponsorship of its PhD students through fellowship schemes, which in recent years have included Deutsche Bank and the FSA.

As a final example of the DoF approach to impact, a major AXA grant produced work on financial regulation that was fed into wider regulatory debates via DoF's Regulation seminar programme. The programme also secured a significant amount of HEIF4 funding to develop impact on the new financial architecture emerging post the financial crisis. This funded six conferences in 2010 in the general area of micro- and macro-prudential regulation with a total of c800 attendees.

The **Department of Management (DoM)** is also committed to provide an environment conducive to both research excellence and to maximising the potential for research impact. DoM has built on its existing reputation and strengths in employment relations, information systems, management science, managerial economics, and public sector management to develop new capacity in behavioural analysis and organisational behaviour.

There are strong historical relationships with professional and government bodies. Examples include Metcalf's role in the Migration Advisory Committee; Marsden's work on Police Force pay; and Bevan and colleagues' work on bureaucracy and the healthcare system, working closely with the European Commission and the NHS. Furthermore, managerial economists have been closely engaged in issues of competition and regulation guided by Senior Fellow Sir Geoffrey Owen. DoM also hosts a number of Visiting Fellows with strong links to the corporate and public sectors (e.g., Gibbons from Shell; Hickman from Oracle, Sir Geoffrey Owen, former FT Editor; Koper from the German Federal Institute for Occupational Safety and Health, Rapley from BA). DoM also appointed LSE's first Professor of Practice, Pepper, formerly of PriceWaterhouseCoopers, who was invited to give evidence to the Parliamentary Commission on Banking Standards.

Turning to the specific research areas in the department, Management Science has a strong tradition of applied research that has had practical impact. Steinberg and Sorkin have previously worked in the private sector (Bell and IBM labs, respectively) and have maintained their practitioner links. Steinberg advised the UK Department of Energy and Climate Change in 2009 on the design of auctions for EU Carbon Capture and Storage. The group also hosts the Management Science Distinguished Speaker series and the Capabilities seminar which involves a high level of engagement with the practitioner community.

Information Systems researchers have played a major role in the debate on privacy and data protection, IT policy in developing countries, and IT use in the NHS. Visiting Professor Sommer has served as advisor to the Cabinet on IT security matters. Avgerou has been Councillor of the International Federation of Information Processing responsible for the organization's policy for the promotion of IT in developing countries. In 2012, she co-chaired the World IT Forum in India, an event with over 1,000 participants that addressed IT policy concerns of developing country governments. There are also numerous seminar programmes open to practitioners including the Information Systems Research Forum, ICTs in the Contemporary World Series, and the Social Study of ICT Annual Workshop.

The EROB group has for many years run its Voice & Values conferences, organised jointly with the Chartered Institute of Personnel and Development (CIPD) to bring together academics and practitioners to debate how to enable a constructive relationship between management and employees. The Industrial Relations tradition remains strong with Hyman's continued engagement with trade unions at the UK and European level, and with the International Labour Organisation, as well as Beauregard's work on homeworking policy and practice with the Advisory, Conciliation and Arbitration Service (ACAS).

Members of the Managerial Economics & Strategy Group build on their research to maintain a strong involvement with the practitioner community. Workshops have been organised with senior executives of major companies, including the CEO of BT, the CFO of GSK, the Strategy Director of AkzoNobel, and members of the Financial Conduct Authority (FCA). Researchers have presented their work at the House of Lords, Office of Fair Trading, Party Political Conferences, Chambers of Commerce, and the Financial Services Authority (FSA). An example of engagement with policy makers is Garicano (with Vayanos and others) who has worked on the European crisis, proposing a European Senior Bond that was positively assessed by the IMF and was presented to the Italian Treasury, Banque de France, and European Commission. A further example is the extensive consultations that have taken place between De-Meza and colleagues with economists at the FSA/FCA.

Research at LSE into public sector management is illustrated by the approach taken by colleagues working on health services. They work closely with the three Foundations that fund research and are well-connected with policy networks in government and the NHS: the King's Fund, the Nuffield Trust and the Health Foundation. We seek opportunities to present our work at those national and international conferences which attract the audience we want to reach and present our work to the Department of Health, the National Audit Office, and NHS organisations.

Though there is diversity of backgrounds and groups, DoM has succeeded in unifying them around the theme of managing organisations. The new Behavioural Lab is an important vehicle for such an approach, via projects such as that with the EU on tobacco labelling, which are already generating further research grants.

DoM also supports new initiatives with top-up grants and seedcorn funding. For example, Willcocks received departmental support for his Outsourcing Unit. HEIF funding was used to support the LSE Network Economy Blog. In 2013, funding was made available to support workshops involving regulators, representatives from business, financial services and consumer groups to raise the standard of discussion about the digital economy. DoM also received funding from the Pensions Corporation for a programme on Pensions Tomorrow.

**c. Strategy and plans:** The School has put in place a new Research Incentives Scheme to encourage impact-focused research and all three departments are proactive in encouraging their faculty to participate. Continuing to strengthen the role of the research centres in BAMS's research is also pivotal. For example, CARR and FMG continue to provide platforms for high-impact research and research dissemination built around an extensive set of seminars and conference activities. FMG/SRC have a Communications & Outreach Officer and an Events Coordinator, and all work and conferences in the research centres is summarised and circulated widely via the *FMG Review* (3 times a year). In CARR this is done via *Risk & Regulation*. BAMS plans to apply significant resources to further strengthen mechanisms of dissemination. Future plans also involve increased cooperation across the units of BAMS, examples of which are given below.

DoA's CARR will continue to explore co-funding arrangements such as that for the Risk Culture project, which by virtue of funding pulls in various stakeholder practitioner organisations. With the hiring of two senior faculty in the financial accounting and capital markets area (Pope and Jorgensen), DoA will also be able to maintain and expand its impact in the financial reporting regulatory space, such as with the International Accounting Standards Board. In the management accounting area, DoA will be able to make use of DoM's new Behavioural Lab. Van der Stede, for example, is currently involved in research on the influence of controlling metrics on innovation decisions (with researchers at Erasmus University) at the intersection between marketing, innovation, investment appraisal and capital allocation. In summary, DoA is well positioned to continue to engage with current topics in its tradition of diversity within accounting along the three principal pillars of Accounting, Organisations & Institutions, Financial Accounting & Capital Markets, and Management Accounting & Performance Measurement, where there are also opportunities to connect with the other two BAMS departments.

In DoF, FMG will retain its central role in the development and organisation of programmatic research. The existing programmes will be retained, although the regulation programme will be integrated with the new ESRC-Systemic Risk Centre. This integration will allow an expansion in DoF's already considerable range of activity in this area. FMG also plans to build an alternative investment research programme for which we anticipate significant funding. There are also plans to expand our activities in the general area of private equity, building upon the Abraaj Capital initiative, with an increased focus on venture capital that will cooperate with LSE's new entrepreneurship initiative together with Accounting and Management. There are also plans to further develop LSE corporate governance research, where there is the possibility of significant EU funding. We have undertaken a significant amount of novel work on financial networks, which is being used by the Bank of England, where there are plans to develop this on a cross-institutional basis with strong links to US researchers. We also have ambitious plans to develop more work on the micro-econometrics of corporate finance, and are trying to develop stronger links with the Department for Business, Innovation and Skills.

DoM sees the next 5 years as a period of growth for its impact-generating activities, for example using its Behavioural Research Lab as a hub for generating practitioner guided and relevant experiments, building on the initial phase of research. We plan to engage with corporate funders and other interested parties to increase knowledge exchange in behavioural experiments.

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In addition, in 2013, DoM created an Institute of Entrepreneurship and Social Change, headed by Acs, Bhimani and Estrin. This Institute, partially supported through HEIF, will seek to develop a cohort of high impact entrepreneurs from our students drawing upon our alumni network and influence policy on support for entrepreneurial ventures.

Besides these efforts and resources, the principles underlying the impact strategy of each department are to:

- Continue to support excellence in a wide variety of research styles;
- Continue and extend the range and diversity of engagement contact points with policy and practitioner communities, including visiting professorships for prominent practitioners;
- Support impact as a natural outcome of the portfolio of research activity and engagement;
- Invest more in tracking the impact of research;
- Encourage (through the Research Incentives Scheme and senior leadership) the design and development of impact-focused funded research.

At the same time as impact is a core goal, each department will also:

- Be cautious in making impact into an explicit target at the individual level where this may conflict with nurturing fundamental research;
- Be sensitive to the risk of creating a culture of impact 'stars', which might be divisive.

**d. Relationship to case studies:** The case studies have all emerged from leveraging BAMS's research agenda with LSE's and the departments' close and longstanding relationships with key practitioner and policy constituencies, which are in two of the three BAMS departments especially fostered through the broad range of activities in their research centres. Running thriving series of events with practitioners and policy makers in the research centres and departments serves the purpose of knowledge exchange, but also generates research ideas and problems for investigation, and in some cases financial support.

The DoA case study on improving auditing and risk management is the result mainly of the work of Power over a sustained period building on CARR's network of audit and risk management functions in firms as well as regulatory bodies. In terms of dissemination, Power's advice to the UK Financial Reporting Council (FRC) on auditing was one conduit through which the work has had impact. Equally, all three DoF case studies are directly the result of the work of three of FMG's six research programmes: Corporate Finance & Governance, the Paul Woolley Centre, and the new ESRC-Systemic Risk Centre itself. As indicated above, these programmes are funded separately but draw upon the common resources of FMG/SRC and DoF. The work represented in DoF's ICSs has been presented in its workshops and seminars and has thus been tried, tested and improved thoroughly prior to dissemination. The researchers in DoF's programmes have engaged actively with the finance community in discussing and evaluating research outputs that has assured their impact is high. This has, for example, involved Vayanos working with the Bank of England and the Federal Reserve Board of Governors on bond market segmentation and quantitative easing. Zigrand and Danielsson's work on Endogenous Risk formed the basis for advice on systemic risk given to the UK Treasury, ECB, and the European Commission. Zigrand's work on high-frequency trading formed the basis for advice to the UK Government and the Foresight Commission on the Future of Computerised Trading. Finally, Ferreira has given evidence to the UK Treasury Select Committee inquiry on "Women in the City" and also to the European Commission.

DoM's five case studies draw on traditional areas of departmental research strength. Thus we have studies on information systems (Whitley), managerial economics (Garicano), public sector management (both Bevan and Morton), and behavioural analysis linked to marketing (De-Meza and Reyniers). DoM's ICSs have all benefited either from direct connections with principal government departments (e.g., BIS) or regulatory bodies (e.g., FSA), or in the case of two of the ICSs, health service providers (NHS and NHS trusts). Whitley's work on identity management was seen to be critical in the Identity Cards Act's failure. Bevan's studies of formula funding of the English NHS and the natural experiment in governance by targets following devolution in the UK has had a major impact on health practices in the UK. Morton and Airoidi's STAR (Socio-Technical Allocation of Resources) has been adopted around the UK for health issues such as eating disorders and Chronic Obstructive Pulmonary Disease. De-Meza and Reyniers' case study brings behavioural analysis to bear, and has been influential in the UK's financial services authorities' approach to regulation. Garicano's "Cajas" research has played a significant role in the reform of the Spanish financial sector.