

# Qualitative Research in Finance

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# Overview

- Going to try to motivate why Qualitative research has a place in Finance
- Take you through the rigorous and demanding nature of modern Qualitative research.
- Give you some examples of Qualitative research currently being carried out in Finance.
- Encourage you to catch the wave!

# Motivation

- Some of the best seminars start off with the speaker motivating their paper by a talk they had with a market maker, fund manager, CFO, or other market participant.
- Scientists conducting clinical trials to see the effect of compounds on treatment vs non treatment groups would jump at the chance to do the research more directly.

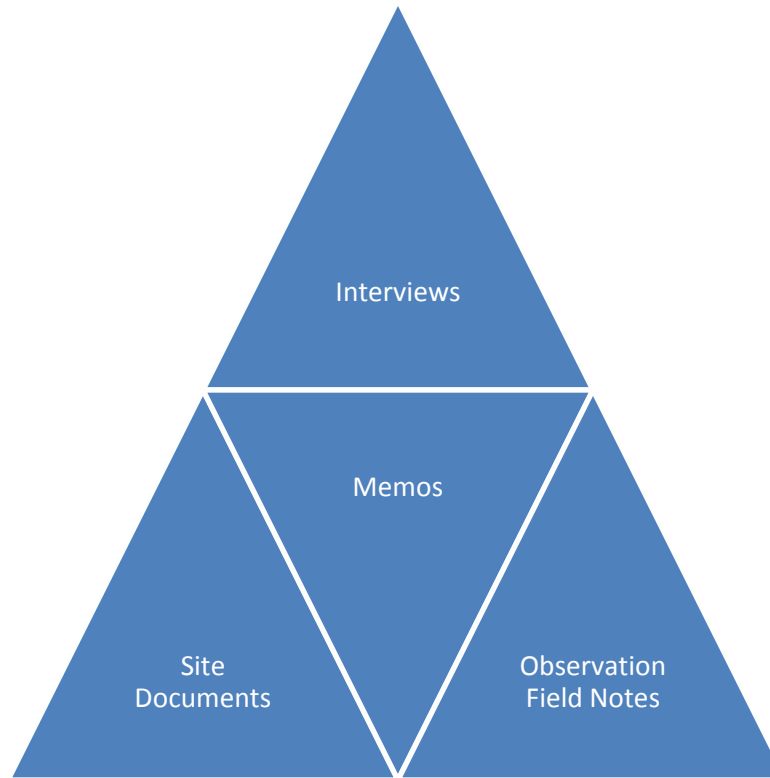
# Motivation

- A Physicist would like the chance to ask the atoms, molecules and compounds what they are doing.
- In Finance we can do this – we can ask the CFO, market maker, fund manager etc what they are doing and this would give us a chance to explore the complex reasoning behind what they do.
- A prime example of Qualitative Research in Finance is the Lintner 1956 study of Dividends

# Applying Qualitative Methods

- Modern Qualitative is formal, rigorous and demanding with practices that would leave a empirical Finance Academic struggling to comply with – eg the case of a Finance Academic having to keep a record of every variable they used and then discarded in predictive return studies.
- Qualitative research – interviews, focus groups, observations. Does not include surveys/questionnaires.

# Data Triangulation



# Triangulation

- Data Triangulation – interviews/observation/documentation
- Researcher Triangulation – triangulation amongst each of the researchers on the research project
- Participant Triangulation – triangulation between investor/financial planner/regulator

# Memos

- Memos are an essential feature of modern Qualitative research and represent an Audit trail of the process of discovery.
- Types of Memos
  - Methods: used to record design decisions and the reasons behind them
  - Reflections: personal researcher journal of reflexivity
  - Analytic: helpful for gauging shifts between inductive and deductive reasoning



# Memos

- These Memos would be particularly testing for a Quantitative research such as a Finance empiricist
- Readers would be very interested in seeing all of the variables that a Finance empiricist has tried and then discarded in the endeavour to predict asset returns.

# Sampling

- Samples are normally smaller size compared with what we are used to in quantitative studies.
- Purposeful sampling involves strategically selecting information rich cases which require unique knowledge re the issues of central importance to the purpose of the inquiry.
- Things are really not too different for Quantitative research where samples are rarely classic random samples.

# Interviews

- Seems straightforward but can draw the researcher back to theoretical considerations of what is knowledge and how it is obtained Kvale and Brinkmann (2009).
- Interviewing tips
  - Avoid leading questions
  - No hunting for your answer
  - Dichotomous questions have limited value
  - Avoid questions with hidden meaning

# Tying Interview Questions and Research Questions – Anfara et al 2002

## *Research Questions in Relation to Interview Questions*

Research question	Interview question
1) What are the characteristics identified by principals, teachers, and students that middle level teachers need to possess in order to be effective in teaching young adolescents?	P2, P3, P4, P6 T2, T5, T6, T7, T8, T9, T10 S1, S4, S5, S6, S7, S8, S10, S11
a) Are there common identifications between and among the three groups of participants (middle school principals, teachers, and students) with regard to characteristics middle level teachers need to possess in order to be effective in teaching young adolescents?	P2, P3, P4, P6 T2, T5, T6, T7, T8, T9, T10 S1, S4, S5, S6, S7, S8, S10, S11
b) Are there different identifications between and among the three groups of participants (middle school principals, teachers, and students) with regard to characteristics middle level teachers need to possess in order to be effective in teaching young adolescents?	P2, P3, P4, P6 T2, T5, T6, T7, T8, T9, T10 S1, S4, S5, S6, S7, S8, S10, S11
2) How do teacher preparation programs help or hinder the development of middle level teachers and their feelings of effectiveness?	P2, P4, P5, P6, P7 T2, T3, T4, T5, T6 S4, S5, S7, S8, S9
3) How do on-the-job experiences help or hinder the development of middle level teachers and their feelings of effectiveness?	P1, P3, P4, P6, P7, P8, P9, P10 T1, T2, T5, T6, T7, T8, T9, T10 S2, S3, S4, S5, S7, S8, S10

# Analysis

- Iterations of analysis – see the following figure from Anfara et al (2002)
  - Start list of descriptive categories
  - Refined list as you look for commonalities differences and relationships between responses
  - Identify common themes
- Researcher Triangulation
- Scissors and sort vs Qualitative Data Analysis Software (QDAS)

**Code Mapping: Three Iterations of Analysis (to be read from the bottom up)**

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**CODE MAPPING FOR ADVISORY PROGRAMS**

(Research Questions 1, 2 and 3)

RQ#1: A Sense of Community And Care?    RQ#2: Structural/Procedural Components and the Sense of Community?    RQ#3: The Effect of Advisory Programs on Teachers and Students?

**(THIRD ITERATION: APPLICATION TO DATA SET)**

Creating Community in a State of Bureaucracy:  
The Paradox of Producing and The Process of Praxis

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**(SECOND ITERATION: PATTERN VARIABLES)**

1A. Caring is Women's Work	2A. Battle Lines: Administrative Support vs. Teacher Resistance	3A. From Attention Provider to Detention Giver
1B. Fear of the Affective Domain: For Some Yes and For Some No	2B. Student Mingling or Teacher Meddling?	3B. No Matter What Happens, Something Good Seems to Result!

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**(FIRST ITERATION: INITIAL CODES/SURFACE CONTENT ANALYSIS)**

1A. Gender Issues/Equity?	2A. Organizational Structure	3A. Discipline Problems
1A. Nurturing Ability?	2A. Accountability?/Training?	3A. Demanding/Disruptive
1A. Male Advisors?	2A. Support Vs. Dissatisfaction	3A. Positive and Proactive
1A. Only Women Can Care?	2A. Scheduling/Resources?	3A. Focused and Patient
1B. Affective vs. Cognitive	2B. Student Interest/Sharing?	3B. Connections/Interactions
1B. Waste of Instructional Time	2B. Trust/Respect	3B. Feel Better/Get Help
1B. Uncomfortable/Touchy-Feely	2B. Unreceptive/Bewildered	3B. Know Personally/Easier
1B. Interpersonal/Family-like	2B. Supportive Relationships	3B. Communication/Difference

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DATA

DATA

DATA

DATA

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# Findings

- Matrix table used to link findings to different sources – interviews/observations/documents

Data Source	Finding #1	Finding #2	Finding #3	Finding #4
1:1 Interviews	X		X	X
Focus Group		X		
Observations	X		X	
Documents		X	X	X
Methods Memos	X	X		
Analytic Memos	X	X	X	X
Reflection Memos	X		X	

Adapted from Anfara et al (2002)

# Ethical Approval

- All research involving Human subjects needs to have ethical approval.
- Anyone questioning the need for this is directed to high profile studies
  - Milgrom Obedience study at Yale
  - Zimbardo Prison Experiment study at Stanford



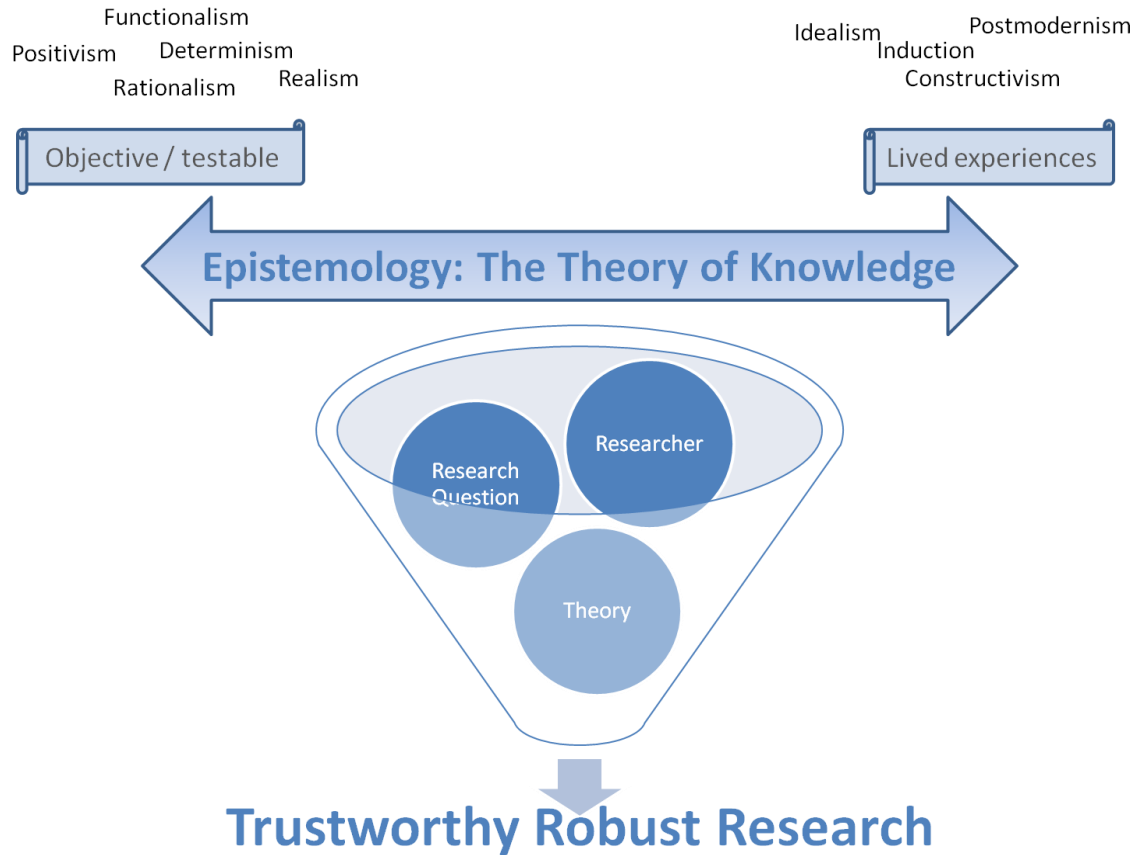
# Famous Examples of Research on Human Subjects

- Stanford University Prison Experiment, 1971, Professor Philip Zimbardo. Testing power of roles, group identity and situational validity. Subjects were randomly assigned the roles of prisoners and guards. Prisoners were booked in a real jail and then blindfolded and driven to a makeshift prison in the basement of Jordan Hall at Stanford. Guards were not given any specific directions or training. Guards started to use coercive and aggressive tactics, humiliating and dehumanizing the prisoners. The experiment stopped after 5 days after it was obvious the subjects were under severe distress.

# Famous Examples of Research on Human Subjects

- Yale University, Milgram Study, 1974, Professor Stanley Milgram. Testing obedience to authority. Experiment consisted of participants who was assigned the job of teacher and actors who were assigned as learners. Teachers and learners were separated and could only hear each other. If the learner answered incorrectly, the teacher was to administer an electric shock. In reality no one was being shocked. A tape recorder was hooked up to play a scream each time the teacher administered a shock. When the shock become large enough the learner would bang on the wall and ask the teacher to stop. Eventually the screams and banging would stop and there would be just silence. Most teachers were distressed at this point but 2/3rds of them delivered the highest level of shock labelled “danger severe shock – 450 volts”

# Theoretical Orientation



# Theoretical Orientation

- Different world views of each approach – as you go from left to right in the above diagram you go from an objective reality to a reality that is unique to each observer.
- Most Finance studies will tend to have a theoretical orientation that is in the left hand side of the figure.

# Examples of Qualitative Research in Finance

- Lintner (1956) famous study of dividend policy. Set out to find out what ‘presidents, financial vice-presidents, treasurers, controllers, and directors’ at selected industrial companies had to say about dividend policies. From these field interviews he set up a ‘theoretical model of corporate dividend behaviour’ which is regarded just as highly today as it was when first published over 50 years ago.
- New Journal – Qualitative Research in Financial Markets since 2009.
- Existing journals now starting to publish Qualitative Finance papers.

# Examples of Qualitative Research in Finance

- Bruhn – surviving a financial crisis
- Foster and Warren – how do funds choose fund managers
- Gippel – Self Managed Super Funds
- Lan – Tuna boat investment
- Neck – Why do top Women leave Finance

# Conclusions

- Idea was to motivate why Qualitative research has a place in Finance.
- Not trying to supplant existing methodology in Finance.
- Gives you a chance to answer Research Questions for which there are no historical data bases.
- Showed the rigorous and demanding nature of modern Qualitative research.
- Turns out Qualitative Research methods have a long history in Finance and there is now an upsurge in research using Qualitative methods.