On the Value of Survey-Based Research in Finance

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Abstract

The survey method is in wide use; its development and application influence the social sciences profoundly. Still the acceptance of the method is far less in Finance than other business disciplines. Many do not consider the technique equal to other types of original research and circumscribe a complimentary, if any, role to it. This paper posits that this disjunction arises due to differences between academic approaches to finance from that of practitioners. Editors screen survey papers more rigorously as they report that poor execution or analysis of results often affect the quality of such papers. This paper offers three principles for increasing its reliability: survey narrowly defined constructs formed outside of or existing prior to theory; only describe a hypothesized variable as driving a result where sound prior theoretical arguments for that relation exist; limit the unit of analysis to the sample frame.

Keywords: survey research, academic/practitioner-dichotomy, reliability

Introduction

The survey method is probably one of the most common approaches employed in the social sciences in order to empirically study the characteristics and interrelations of psychological and sociological variables. According to Pinsonneault and Kraemer (1993), survey

research has three distinct characteristics: First, the purpose of the survey is to produce quantitative descriptions of some aspects of a population under study. Second, it asks people structured and predefined questions as the main approach to data collection. Third, researchers typically collect data about a fraction of the study population in such a manner as to be able to generalize the findings to the population as a whole. Survey research would then be the most appropriate method if the researcher requires information that is unavailable and wants to generalize those findings to a larger population. Kerlinger (1986) described its development and application in the twentieth century as having 'profoundly influenced the social sciences'. Rea and Parker (1997) describe survey research as having become a widely used and acknowledged technique in many disciplines. Although the method has gained considerable credibility from its widespread acceptance, that acceptance appears to be greater in some business disciplines than in others. Some have criticized the method (Marsh 1982; De Vaus 1992) and in particular its usefulness in the study of accounting and finance has been questioned (*c.f.,* Young 1996). Roberts (1999) lists the main criticisms as being that the method: just collects masses of data and provides nothing of theoretical value; is too restricted because of the limitations of highly structured questionnaires; contains data with so much measurement error that it is quite unreliable and its validity extremely low; and, cannot adequately establish causal connections between variables.

Casual observation suggests that those in marketing and management appear to embrace the use of surveys to a greater extent than in finance. If this observation is correct, those using this research technique in finance follow a path less well-trodden than that used by most of their colleagues. There exists a lingering doubt, especially among several senior academics about the reliability of information derived from a relatively few respondents purporting to represent the whole. In fact, there are several academic programmes in finance where students are not trained in survey research as part of their curriculum at all, teaching the technique being seen as inconsistent with current practice. This paper is concerned with evaluating the survey method of research in the context of adding to knowledge in finance. It first considers the disjunction between academics and practitioners as a source of doubt over the utility of the method. It goes on to ask the all-important question of

what makes for a worthwhile research method and ends by suggesting how the survey method may be bolstered so as to be considered both relevant to practitioners and reliable by academics.

The Finance Academic vs. the Practitioner

In a rather imaginative allegory Percival (1993) highlights the differences between the academic (turtle) approach to finance from that of practitioners (frog). He created a series of frog-ponds, dominated by frogs and which were sought out by tadpoles whishing to be successful in their lives in the pond. While there are several such frog-pond schools, except for a few 'frogs in residence' who gave lectures intermittently, the training was provided in the main by turtles. Nobody knew why this was so, but it had always been that way. The turtles adopted a 'normative' style of teaching tadpoles to be frogs, helping them learn what frogs should do rather that what they actually did, in their attempt to teach the tadpoles how to think. The turtles at all the frog-pond schools, strangely enough, taught the same theory, that about what fish should do in a pond, believing that the best way to learn about frog-ponds was to understand fish-ponds. While the tadpoles wondered why they were taught about fish rather than frogs, the turtles shrugged them off: believing that they knew best; that fish were more interesting than frogs; that the tadpoles were showing how naïve and ignorant they were by questioning this theory that so many eminent turtles had developed over the years; and, which had been supported by numerous fish studies.

The theory assumed 'rational' behaviour, although the tadpoles often pointed out that frogs did not behave the way the theory said they should. While the turtles acknowledged this as a great source of puzzlement, they felt it too complicated to understand, urged the tadpoles not to let that distract them from the learning of the theory and, offered that, after all, it was only important that the 'lead/marginal' frog behaved rationally. The tadpoles wondered why the turtles didn't just ask the frogs why they behaved the way they did, but the turtles thought this too naïve and unscientific a question since the frogs would not be able to explain, in any rational way, why they behaved the way they did. In the context of the theory, the frogs' reasons just wouldn't make sense, making it questionable whether the frogs really understood

their motives themselves! If the turtles couldn't understand frog behaviour, how could the frogs possibly do? Hence the tadpoles were convinced to remain true to a theory that so many eminent turtles had developed over the years and not let what appeared to be facts cause them to deviate from a commitment to sound theory. The problem is that the turtles were teaching tadpoles about froggery (corporate financial management) by presenting the observations and studies of fish (financial investors).

Weaver (1993), extended this analogy by pointing to the reality that most frogs feel they were 'beaten up' by turtle terrorists who stalked the pond looking for tadpoles and (and even frogs) to criticize, (even young turtles occasionally feel the wrath of older turtles). Sometimes, when wondering into a frog grouping, turtles too are made to feel uncomfortable, as if trapped on a highway of finance. Turtles are bilingual, understanding and speaking both turtle and frog languages. However, when a theoretical concept is too difficult to explain in the foreign frog language, the turtle is more comfortable in Turtlese. Turtlese is an acceptable language since the tadpoles are convinced they need to be bilingual to understand the turtles. The problem is that only a few turtles or tadpoles ever interpret Turtelese (mathematical discussion) into Froggese (financial implications) or Prince-ese (business implications).

Some tadpoles (finance majors) develop into frogs (practicing corporate finance professionals), others are devoured by other creatures (professions) that surround the pond, while a few of them, by some quirk of nature, turn into turtles. However, most of the creatures that permeate the pond are not frogs at all, but rather toads (accountants). Despite their eminent reputation these CA-carrying toads have never been tadpoles at all, having only learnt fish theories or the ways frogs should behave through very condensed executive seminars. Thankfully most of them venture only a leg into the pond, never plunging into the water completely, lest they'd drown!

The world of Toaddom is very different from that of Frogdom. Toads know numbers, having grown up on and eater regular portions of it. They have been schooled in a discipline of little theory and many rules, although frogs understand that, in the pond, things are never as smooth as they seem. Sometimes there are warts which toads don't

acknowledge or appreciate, or competing theories, each having a legitimate interpretation. Even a theory as fundamental as the cost of capital is susceptible to a wide range of mechanical approaches and assumptions - each permutation registering a different result, with there being no singly correct theory. Frogs learn to consider many permutations and recognize the degree to which a material difference may underlie the result. While frogs recognize how silly the false sense of accuracy that two decimal places gives in financial statements, toads are usually confused about why something so fundamental as the cost of capital cannot be calculated precisely. Even the turtles cannot agree, as shown by the different computations of Table 1, on which fish theory (cost of capital) is correct. A firm's weighted average cost of capital is, after all, calculated as:

$$WACC = (E/V) \times R_E + (D/V) \times R_D \times (1 - T_C) \quad (1)$$

where T_C is the corporate tax rate, E the cost of its equity, D the cost of its debt while E/V and D/V refer to the percentages of the firm's financing that is by equity and debt (their relative capital weightings *i.e.,* V = E + D) respectively.

Table 1: Multiple Methods and Permutations for Calculating the Cost of Capital

Cost of Debt	Cost of Equity	Capital Weighting
Historical or Historical and Projected or Projected or Marginal (Market Rate)	Dividend Growth Model or Capital Asset Pricing Model or Arbitrage Pricing Theory	Current Book or Projected Book or Targeted – Co. specific or Targeted – Industry wide or Market

Toads and frogs both aspire to be future princes (senior managers) or future kings (chief executives). While the practice in most advanced estuaries saw only frogs grow up to be princes, in South Africa, an estuary dominated by privilege and protection granted to toads of a certain colour, makes this different.

In academia the primary focus is on models whereas in practice it is on the assumptions that go into those models. In presenting capital budgeting, financial modeling and ratio analysis *etc.* to a finance class, academics are interested in teaching analytical techniques. Hypothetical text-book examples guide the discussion of assumptions, allowing the academic to focus on the underlying method and models. Assumptions are used to support the general analytical techniques without too much concern for a generalized discussion about those assumptions. Practitioners on the other hand, knowing that the power of a model doesn't lie in its technique or even sometimes in the answer, want to scrutinize assumptions before making yes or no decisions, rather than be overly concerned with the financial modeling technique.

Weaver (1993) holds that there are numerous types of turtles living in a pond, just as there are numerous facets of finance. He maintains that it is appropriate for some finance academics to do 'cutting edge' theoretical research, for that is after-all how the profession develops, but insists that it is just as appropriate for academics to engage in empirical survey based research. In his experience he finds that the results of these tend to be more readily understandable and the conclusions drawn can appreciably enhance business decisions. He would have financial practitioners be surveyed more often and the results published. Academics need to acknowledge (rightly or wrongly) that items other than those captured by the models, such as the preferences of senior managers, may be major factors influencing, for instance, the capital structure of corporations. Following this recommendation would offer several potential benefits, *e.g.,* the evidence from properly designed surveys could be useful in empirically validating conceptual hypotheses and the relative usefulness of various theories; and, a continuing dialogue between academics and practitioners could be helpful in designing research agendas, courses and programmes. In short, turtles should be tolerant of frogs, especially since most frogs are actually toads living a frog's life – finance practice can contribute meaningfully to finance theory and *vice versa*.

It is probable that while much consensus exists between both academics and practitioners on the value of assessing the state of practice in finance by surveying or asking practicing executives, most academics would caution against an over-reliance on wisdom received from financial practice due to its limitations. Aggarwal (1993) argues

that information derived from surveys 'is likely to be inadequate for many purposes, and, in many cases flawed and unreliable'. He advances five reasons why survey researchers interested in understanding forces underlying financial practice are likely to encounter a healthy dose of skepticism.

First, it may not be appropriate, due to strategic, cost and legal reasons, for finance executives to divulge the reasons for and details of their actions and decisions. Dixit and Nalebuff (1991) offer that in a competitive environment (and especially one that is oligopolistic in many industries) it may not only be beneficial to conceal real intentions and strategies but also to engage in some bluff and misrepresentation. Jensen and Meckling (1976) in seminal work on agency theory that is primary to much understanding of finance, offer that similar considerations apply to managerial behaviour motivated by personal gain, especially when it is against the best interests of shareholders. Also, financial markets are driven by information which Ackerlof (1970) has shown is not only not costless but has strategic uses and may, according to Aggarwal (1991), have political costs. Managers and many investors, due to the preferential access to strategically important information they often have, face moral hazards in their decisions. Other value-maximizing investors have to infer the nature of that preferential asymmetric information. A large body of research in finance (*c.f.,* Thakor 1989) has arisen in assessing signaling and contracting issues under these conditions. The trading of assets in an auction market (Grossman & Stiglitz 1980) and even the negotiating of mergers and acquisitions (Aggarwal & Navratil 1991) are examples of financial practices that involve the strategic uses of costly information. In these cases, reliance on managerial assertions would clearly be inadequate for understanding such practices. While these kinds of limitations may be reduced or even eliminated through the passing of time, Rasmusen (1989) has shown that there are many other cases where strategic and competitive considerations permanently limit the usefulness of managerial experience available to researchers. In any event, depending on managerial declarations limits the academic ability to analyze and understand the many instances of unethical and illegal business behaviour.

Second, financial executives may not be fully aware of or agree on all the (real) reasons for the strategies and actions of their corporations.

Executives often react to competition or economic conditions without necessarily appreciating all the underlying forces. Financial practice contains many examples of this including traders reacting to bid-ask spreads and trading volumes and, mergers and acquisitions motivated by managerial hubris (*c.f.,* Roll 1986) and sincerity cannot substitute knowledge and truth. There may also be differences of opinion between executives, business units and subsidiaries regarding the reasons and motivations for company strategies and actions. Without theories and concepts it would be quite difficult to assess and distinguish between various, often divergent, views. Surveying some or all the executives involved in a decision would simply not be adequate in such cases.

Third, in order to obtain reliable and representative information on corporate practices one would have to survey a representative number of executives at a senior level, gaining access to whom may be a difficult if not impossible task. Given the relative value of executive time most surveys are usually delegated to the lowest feasible level for answer. This makes personal interviewing much better but attendant costs impact sample size, causing questions about reliability in describing general corporate practice to be raised.

Fourth, since financial practice changes constantly in response to changing priorities (*e.g.,* leveraging up or down) and to dynamic and competitive demographic, tax and regulatory environments, surveys of practice would date quickly. Given the difficulties and expense involved in updating survey-information these are not likely to be undertaken by academics, since surveys would generally only be repeated if they can generate cash returns. Kay (1991) names this as a reason most corporate practice surveys are conducted by those firms that sell financial services, such as consulting firms and money centre banks. The results of such surveys are published and are widely available and while they may be useful for financial managers, most of those periodic surveys add little or nothing to our understanding of the concepts that underlie the corporate practices reported.

Fifth, in order to make any kind of meaningful interpretation of empirical evidence, the use of an appropriate theory and conceptual framework is essential. This need is even more pronounced in surveys of corporate practice since they are more likely to offer data that may not be internally consistent. Survey responses between companies and even

within a company may be contradictory. For instance, in surveying corporate credit practices, the sales department might prefer easing a policy for which the treasury department would rather see higher standards imposed, assuming that credit risk could be better sustained by a financial intermediary. In order to understand and resolve such inconsistencies, theories of financial intermediation based on preferential information and relative information processing costs would be necessary.

Gordon and Howell (1959) raised the more important point that appropriate theory and conceptual frameworks are much more valuable in providing guidelines for adapting to the ever changing nature of finance and its environment than surveys of current practice could ever be. Hence the orthodox academic view is that finance theory and practice can contribute to each other if the theory is tested against practice but that finance theory must be developed independently of what managers say they do, especially since it appears quite difficult to accurately assess that behaviour.

Baker and Mukherjee (2006) conducted a survey of 50 finance journals currently accepting manuscripts and publishing more than once a year. They divided these journals into two groups, 15 'core' and 35 'non-core' finance journals and, asked the editors of those journals for their views on survey research. 25 of the 50 editors responded, with a marginally greater response (53.3%) coming from the 'core' journals. The authors conducted an analysis of the inaugural year of the journals, which revealed no distinctive difference between journals with responding versus non-responding editors. Thus, while a potential of non-response bias exists, the authors believe that their findings are representative (or at least suggestive) of the beliefs of the editors surveyed. Although none of the journals surveyed had an established policy regarding the publication of survey based research, none of the 'core' journals indicated that it should be considered equal to other types of original research. Editors of 'core' journals believed that survey-based research should play either a complimentary (66.7%) or no role (33.3%) in the finance literature and a significant minority all the editors ('core' and 'non-core'), reported screening such manuscripts more rigorously.

Although all of the editors surveyed indicated that survey-based research adds value, a major conclusion from this study was that while publication outlets in both 'core' and 'non-core' finance journals are available for this type of research, many finance journals have published few, if any, articles based on the approach. Overall, the publication of survey research in finance was such relatively infrequent events that finding a journal that published, on average, one survey research article a year, was uncommon.

The most highly ranked strengths of the survey method were that it produces data unavailable from other sources, followed by its ability to suggest new avenues for further research. Still, the editors identified four major weaknesses as the difficulty of generalizing results, non-response bias, adverse selection problems and, respondents who might not be fully knowledgeable to answer a question. Importantly, Baker and Mukherjee (2006) acknowledged that there are methods available for handling all of these weaknesses. 'Thus survey research is not innately flawed but sometimes results in poor quality research because of poor execution by researchers'. One of their editors noted that 'many authors fail to apply rigorous survey-design techniques and therefore fail to elicit meaningful data', while another wrote that 'many of the survey based papers that I have seen undermine themselves with poor analysis of results'.

What Makes for 'good' Empirical Research?

As finance is a multi-faceted discipline, there is no single way to deal with various questions and to test the hypotheses that confront researchers. Finance academics choose between two broad paths – theoretical and empirical – to help provide a clear understanding of research issues. Ultimately though, as Ramirez *et. al.* (1991) state: 'a major aim of both theoretical and empirical finance research should be to aid the financial decision maker'. The criticism that some turtles are more concerned with the sophistication and elegance of their theories, models and statistical techniques than with actually providing material that helps decision-makers is unfortunately often deserved. However, this is not to say that those eminent turtles doing 'cutting edge' research do not produce knowledge that helps the profession develop. On the contrary advances in finance theory such as portfolio, agency and asset pricing have helped improve professional practice, but that theory still

needs to be subjected to empirical tests. If it is found inconsistent with empirical evidence, that should spur researchers to revise the theory. Gathering information necessary to conduct empirical research involves several alternate paths, with the most common means of data collection in finance research being secondary data. This consists of compiling and analyzing data that has already been collected and that exists normally in a publicly available and usable form. Others collect primary data directly from those under study. Survey research involves soliciting self-reported verbal information from people about themselves, which in our allegory would see the turtles asking the frogs about their behaviour. In conducting empirical research, Bruner (2002) notes

> The task must be to look for patterns of confirmation across approaches and studies, much like one sees an image in a mosaic of stones.

What Bruner suggests regarding mergers and acquisitions applies just as readily to other finance areas.

The debate about the usefulness of survey research is part of a wider discussion over the complexities associated with empirical research methods. Brownell (1995) admits that these complexities are never reported or even hinted at in the research itself, nor is there typically any explanation as to why effort is devoted to the particular methodological issues reported. In order to determine the usefulness of survey research we are required to take on a particular view of empirical research (Shields 1997). This requires that we be concerned with the extent to which attention has been paid to the traditional maxims of scientific method. Those criteria, consistent with the positivistic philosophy, help us decide just what a 'good' research method is[1]. Researchers within this philosophical world-view argue that it is attention to these criteria that distinguishes the knowledge gained from

[1] Philosophers and social theorists have had much debate over what constitutes science and the scientific method (*c.f.,* Bernstein 1976; Feyerabend 1975). In this paper science is defined positivistically. There are, of course alternate views of science and alternate criteria for evaluating what makes up 'good' science (*c.f.,* Chua 1986; Golden-Biddle & Locke 1993).

science from 'ordinary knowing'. The most important difference between these two forms of knowledge is 'the extent to which scientific studies are on the alert for biased conclusions' (Kidder & Judd 1986).

Critical readers and research reviewers scrutinize the applicability of the theory and the tools that are used to test it. The concern is for how authors represent theoretical relations between constructs, how variables that emanate from a study's theory and hypotheses are constructed and how rigorous methods are applied to test hypotheses. Confidence in a particular theory or hypothesis is directly influenced by its ability to withstand empirical attempts to falsify it. Hence if opportunities for the introduction of biases in collected observations are not minimized, it will be difficult to place confidence in research findings and the informativeness of the study will be very limited.

In order to determine just what constitutes 'good' empirical research we must focus on two important questions: First, is the method appropriate for the research question being posed? Second, is sufficient attention being devoted to the three aspects that are commonly used to assess research conducted within a positivistic epistemology, *viz.,* construct, internal and external validity. These two questions are of-course inter-related and each of the criteria takes on a slightly different meaning depending on the methods used and, differs in importance, depending on the purpose of the study. Still, the importance of these criteria should be pervasive in every one.

Most research methods textbooks present the crucial first step in research as being one of choosing an interesting research question. How interesting the question will be depends on the state of the art at that point in time. Once the research question is determined, the method arises. Methods are meant to be means to an end not an end in themselves. Logically then one should determine appropriate means once ends are clearly defined. Given the range of methods available, most research texts would advocate a deliberate choice process where several methods are considered before one is chosen. Finally, because research is seen as moving rationally in this linear two stage process (first choose the research question/end and then the method/means) the first criterion used to judge a piece of work is whether the research method fits the question. While this may seem simple enough, there are however

strengths and weaknesses to any method and the researcher must, out of necessity, make trade-offs when designing the study.

In attempting to empirically measure abstract, theoretical constructs, less than perfect proxies must be used. Imperfect proxies mean there is always the possibility of them affecting tests of hypothesized relations. The discriminating ability and power of the research is affected then, not only by the quality of the underlying theory and statistical analyses, but also the nearness to which the proxies measure theoretical constructs. This concept of construct validity comprises three components (Nunnally 1978): Specifying the domain of observables related to the construct (telling the researcher which items to measure and evaluate in the second component); determining the extent to which observables validly or reliably measure one or many constructs (the empirical investigation to establish relations among the items measured); and, determining the extent to which measures of the constructs produce predictable results (establishing whether measured constructs are correlated with arguably related well-understood constructs).

In addition to having high construct validity, the evaluation of empirical work requires consideration of two other validity criteria. For a study to have high internal validity, it must be possible to be able to assert that variations in the dependant variables are either due to or a result of variations in the independent variable(s). There is then confidence in dismissing competing or alternate explanations for the results observed. This criterion was developed specifically in the context of experimental research (*c.f.,* Campbell & Stanley 1966; Cooke & Campbell 1979), where, since it is designed to provide evidence to support propositions about causal inference, it becomes critical to ensuring that competing explanations for observed relations can be eliminated. External validity, on the other hand, is concerned with the ability to generalize the results, particularly the causal relations, of the study to and across populations of other people, places, times or contexts. The ability to extrapolate from a particular data set to the target population or other populations of people (population validity), settings or environments (ecological validity) and times (temporal validity) is seen as a desirable attribute of empirical research.

What Place then for the Research Survey?

A summary model of the survey method is useful in determining its utility. Surveys differ from other social science research methods due to their form of data collection and the method of analysis. While the literature covers all aspects of the model, finding a concise 'recipe' for how surveys should be undertaken is rare. Either single aspects are covered in much detail without regard to the picture as a whole or the complete survey is only briefly described. All would agree that surveys should allow the relations between variables of interest to be studied rigorously. While the method was used solely as a fact-finding mechanism about a population in finance contexts, all was well. It is only when the method attempted to use sophisticated sampling techniques and statistical analyses to allow inferences to be drawn about the population that academics became nervous. After all, the data analysis does differ from that of conventional experimental research. Surveys contend that there are 'naturally occurring' variations between variables to be found, while conventional empirical research would create the variation either through manipulation or intervention (De Vaus 1992). The problem then, is that statements about relations between variables are not as robust as they are in secondary data experimental research, immediately creating an internal validity problem.

Moreover, because surveys attempt to adopt a broad scope by involving many cases for which data are collected about the same specific characteristics (or variables) that, by necessity, limits its ability to collect 'in-depth' data related to one or a small number of cases. Surveys all too often trade off depth for scope. However, in attempting to establish causal connections no statistical techniques are available to 'prove' causal relations from cross-sectional data. Importantly, academics are concerned about the degree of measurement error possible in the answers of respondents. In particular there may be correlated measurement errors (*i.e.,* deviations from true scores that relate to deviations in other measures being analyzed). Andrews (1984) maintains that a major source of correlated error in survey data is methods effect - an effect that arises because the same method is being used to derive the measures. This inherent measurement error has the effect of decreasing construct validity.

The primary argument for a survey method is that it provides a cost-effective manner of collecting a large quantity of 'generalisable' data. However, survey research is best used to capture 'simple' constructs whose meanings are standardized and widely shared and problems arise when they are used in order to capture more complex constructs that are capable of taking on multiple shades/layers of meaning. There is therefore concern as to whether the method allows the construct of interest to be adequately captured. This is often demonstrated by a researcher's inability to find a correlation between different sets of responses, within the sample, to measures designed to represent the same construct.

In defining a recipe for sound finance research it would be helpful to begin by seeking out the preferences or opinions of participants on simple constructs that are formed outside of or exist prior to any theory. Areas that could be so assessed are corporate decisions surrounding investment, financing or dividend policies as well as issues related to investment and portfolio management practice, particularly around behavioural finance. Developing narrow constructs in these particular areas would enable the researcher to be clear about what data is being collected and why it's of importance to the study, before the data collection. The more convincing a study's measure of construct validity, the less prone critics would be to seek to attribute results to specific conditions that are unlikely to be repeated.

The second thing that should be done, concerns internal validity. In one sense, internal validity can never be achieved in many surveys as all the variables are measured simultaneously. Covariation does not imply causality, because while a resulting model may argue for a particular causal linkage, there is always the possibility of that relation running the other way, or even that unmeasured variables may explain the observed relations. Since it is not possible to rule out alternate plausible explanations for results, researchers should ensure that they only describe the hypothesized variable as driving the results where sound prior theoretical arguments for that relation exist.

Finally, although surveys suggest a degree of external validity in that their findings have relevance to corporate practice, care should be taken as to how those findings are generalized from the sample to a

target population. It would be wise simply to limit the unit of analysis to the sample frame. Generalizing to broader populations or settings (*e.g.,* different employee classifications, industry sectors or national contexts) is problematic. If a generalization were to be required, replications of the study within the broader population that shows similar results are necessary.

Conclusion

The reality is that survey research is sometimes the only technique for gathering data and can thus offer unique insights about some research issues. In order to properly understand the value of surveys in finance it is helpful to think of them as being the research equivalent of the case study. Johnson (1994) defines a case study as an enquiry which

> investigates a contemporary phenomenon within its real-life context when the boundaries between phenomenon and context are not clearly evident.

Like the case study, survey research is able to offer evidence in support of a theory, usefully validating conceptual hypotheses empirically. It can also provide information on financial practices within specific contexts, particularly where that practice deviates from that which is theoretically envisaged. Gaining a better understanding of what the practice is and why it differs can help in the instruction on the difference between good practices and bad ones, in turn, helping learn more relevant and practical concepts and techniques. Unfortunately, also like the case study, it is difficult to distinguish out what is unique to the sample being considered with what is common practice, the degree to which the survey can relate to the general position being limited. Finance theory and practice can best serve each other if, though the theory be tested against practice, it be developed independently of that practice. Understanding the limitations of surveys should help us use it most appropriately – as a tool that can add to the body of knowledge of the subject while not necessarily advancing its theory.

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