EDITORIAL

A Perspective on Textual Analysis in Accounting

INTRODUCTION

I first began conducting research using textual analysis in accounting as part of my dissertation proposal in 2000. My first presentation of that early work was to the audience in attendance at the 10th Annual Research Workshop on Artificial Intelligence and Emerging Technologies in Accounting, Auditing and Taxation in 2001, held in conjunction with the 2001 American Accounting Association (AAA) Annual Meeting in Atlanta, Georgia. Attendees were remarkably receptive to the path I was embarking on, which provided me with great encouragement. That said, it was not long before I realized that the broader accounting academic community (at that time) had little appreciation for my type of scholarship (textual analysis in accounting that is grounded in computational linguistics often employing a design science paradigm) and, even more disheartening, did not feel that my work had a place in the accounting academy (several desk rejection letters from major accounting journals drove that message home rather pointedly).

To be clear, textual analysis in accounting was not unheard of prior to 2000. There had been quite a number of studies performing content analysis or assessing readability that were either manual (Bowman 1984; Hoskin, Hughes, and Ricks 1986) or partially computerized (Pava and Epstein 1993; Rogers and Fogarty 1997). Around 2000, accounting researchers began to apply fully computerized methods to process large accounting-related corpora (Fisher, Garnsey, Goel, and Tam 2010). After 2000 came a marked increase in the number of publications applying textual analysis in accounting (Fisher et al. 2010; Fisher, Garnsey, and Hughes 2016). By 2010 the number had more than doubled that of the previous decade (Fisher et al. 2010).

Despite the early mixed reception to my research, I quite enjoyed what I was doing and with the support of several academicians whom I held in high regard, I continued with my work. In 2004, I finally succeeded in publishing my first manuscript in textual analysis in the inaugural issue of the Journal of Emerging Technologies in Accounting (Fisher 2004). By my count, the Journal of Emerging Technologies in Accounting (JETA), the section journal for the Strategic and Emerging Technologies (SET) section of the AAA, has published 27 manuscripts to date (including two that appear in this issue) that use textual analysis in accounting. The SET section joined the University at Albany, SUNY in sponsoring two special topics conferences (2013 and 2018) focused on textual analysis in accounting. All conference submissions were eligible for consideration by JETA. Textual analysis manuscripts have always been able to find a home in JETA.

Much has happened and much has changed in textual analysis in accounting over the 14 years subsequent to my first publication in textual analysis. There is now an abundance of digital tools that facilitate textual analysis (Loughran and McDonald 2016) and textual analysis papers have been published in a variety of accounting journals at a continued increased rate (Fisher et al. 2016). One such publication I find particularly noteworthy is a literature review entitled “Textual Analysis in Accounting and Finance: A Survey” (Loughran and McDonald 2016), which was published in the Journal of Accounting Research. I find this notable for two reasons. First, the Journal of Accounting Research is considered to be one of the “elite three” accounting journals by most accounting academicians. The publication of this manuscript clearly signals a change in the perception and reception of textual analysis in mainstream accounting research. Second, as a published literature review in an elite accounting journal it also clearly demonstrates the fact that a significant body of scholarship in textual analysis in accounting has been published over recent years. These are both positive developments from my point of view. It is disappointing, however, that none of the articles published in JETA are cited in the Loughran and McDonald (2016) publication.1 To be fair, the authors do specify that their survey is “a more selective and focused survey of the accounting, finance, and economics literature on textual analysis” (Loughran and McDonald 2016, 1189). Despite that, this fact provides a clear signal to the SET section of the AAA that we, who publish in and know the valuable contribution that JETA makes, must find ways to promote greater awareness and readership of JETA.

I submit that there is no better time than now to highlight our journal and what we offer. Why now? A week ago I sat at a school faculty meeting and listened to my dean address the concerns of the employers of our students. He was referring to the skills the employers expect our students to have and the technologies they should understand. The three terms he specifically

1 Fifteen of the 23 articles published in JETA were published prior to the Loughran and McDonald (2016) publication.
used were AI (artificial intelligence), machine learning, and blockchain. The members of the SET section have been writing, talking, and publishing AI and machine learning manuscripts for more than two decades. Papers addressing blockchain dominated the submissions to the 26th Annual Research Workshop in Strategic and Emerging Technologies held in 2017. My dean is merely echoing what our employers, primarily New York City metropolitan area Big 4 firms, other large accounting firms, and investment banks, are telling us that our students must have in their knowledge base and skill set.

Further, the recently revised 2018 AACSBS Standards for Accounting Accreditation include Standard No. A5; consistent with its mission, expected outcomes, and supporting strategies, accounting degree programs include learning experiences that develop skills and knowledge related to the integration of information technology in accounting and business (AACSBS 2018). The standards go on to amplify this with:

Consistent with mission, accounting degree programs integrate current and emerging accounting and business practices in three primary components within the curricula.

- Information systems and business processes including data creation, manipulation/management, security, and storage.
- Data analytics including, for example, statistical techniques, clustering, data management, modeling, analysis, text analysis, predictive analytics, learning systems, or visualization.
- Developing information technology agility among students and faculty, recognizing the need for continual learning of new skills needed by accounting professionals. Learning experiences may be supported by business, accounting, and other academic units (emphasis added). (AACSBS 2018)

The AACSBS is requiring that all accounting programs provide students with a variety of information technology and analytics skills. The language in Standard No. 5 now makes explicit reference to text analysis. The SET section is in the position to meet the AACSBS challenge, and JETA publications are exemplars for accounting researchers that wish to explore these areas.

Included in this issue of JETA are two manuscripts that were presented at the Special Topics in Strategic and Emerging Technologies in Accounting Conference: 2018 Text Analytics in Accounting, held at the SUNY Global Center in New York City on March 9th. “Tax Preparer Certification, and Organization Form among Uncertified Preparers, Influence Client Satisfaction and Experience” by Witherspoon and Stone (2018) applies textual analysis to 3,984 Yelp ratings and reviews of U.S. tax preparers. It is among the first papers to apply linguistic methods to a social media corpus in order to examine client perceptions of professional accounting services. Loughran and McDonald (2016) specifically call for research that adapts textual analysis methods to social media corpora. “AI-Enhanced Audit Inquiry: A Research Note” by Raschke, Saiewitz, Lennard, and Kachroo (2018) explores the use of Auditbots in auditor-client e-communication, noting both opportunities and potential pitfalls. It is forward thinking in its look at the potential for AI and machine learning to be adapted to facilitate more effective communication in the continuous auditing setting. Both manuscripts are thought provoking.

Textual analysis in accounting is now enjoying broader recognition and appreciation by the accounting academy, a robust and growing community of accounting scholars and body of literature, and inclusion among the skills our accreditors identify as important to both students and faculty. I am so gratified when I consider the current state of textual analysis scholarship in accounting and very happy that I continued along my personal academic path.

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REFERENCES


