

NEWSLETTER

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**The CGA-ARC
is located in
Vanier Building
Room 351F.**



ARC CONFERENCES KEEP ABREAST OF CURRENT AND IMPORTANT ISSUES

Those of you who read the report on the 13th Conference, elsewhere in this issue of the Newsletter, may recall that Ms. Dianne Burgess, executive director of CGA-Ontario, in her introductory remarks, noted that this Accounting Research Centre in choosing the topic for its annual conference consistently picked one that was time after time in step it not ahead of current accounting and social thoughts and issues. As early as 1993, the ARC determined upon the topic of "The Crisis in Auditing" (sound familiar?) for its second annual conference.

Again in 2004, the conference topic of "The Economic and Social Outcomes of Work Intensification" proved prescient. A recent government study reported in the Ottawa Citizen of November 9, 2004: "The downsizing that swept the country's work place during the 1980s and 1990s backfired with so much work piled on

employees that billions of dollars have been unnecessarily added to Canada's annual health care costs ..." "It (the study) concludes stress and illness caused by work overload is adding an extra \$6 billion a year in healthcare costs". Hopefully the Federal Government will pay attention to this study and act accordingly, rather than ignore the findings as it did with the Donner Report of a decade ago. This matter was discussed by Ronald Colman at the ARC Annual Conference and is noted in the report on the conference.

Again, with respect to keeping us all up to date, the 14th Conference coming up later in 2005, will present a workshop on Enterprise Risk Management. This topic is receiving more and more attention by business, and in fact is an integrated approach to the management of risk that is being demanded by more and more stakeholders.



Distinguished guests and the Executive Director: (left to right) : Diane Burgess, MBA,CGA, Executive Director and COO; Micheál Kelly, PhD, Dean, School of Management, University of Ottawa; Daniel Zeghal, PhD, FCGA, Professor, Director Executive CGA-ARC, University of Ottawa and Robert Major, Vice-President (Academic), University of Ottawa

THIRTEENTH ANNUAL CONFERENCE EXAMINED THE COSTS OF WORKING TOO HARD

Work is getting longer, harder and more stressful. The boundary between work and personal life is becoming less and less distinct. Yet aging workers and dual career couples are looking for a better balance between the quality of life and work demands. A new set of arrangements is needed to reach some degree of harmony between the demand of the work place and the increasing aspirations of workers for rest and relaxation and the demand for a reasonable home and family life.

It is this issue that provided the focus for the 13th annual conference of the CGA-ARC. The conference, one of the most successful in the history of the ARC, was held at the NAC on October 21, 2004. The moderator was Professor Merridee Bujaki of the University of Ottawa. The presenters were: Dr. David Gray and Dr. Joanne Leck, both professors at the University of Ottawa, Mr. Ronald Francis, MBA, FCGA, professor at Seneca College and past president of CGA Ontario, Dr. Ronald Colman, executive director, GPI Atlantic, Dr. Jennifer Newman, partner, Newman and Grigg, Psychological and Consulting Services and Ms. Merge Gupta-Sunderji, MBA, CGA, professional speaker and management training consultant.

The participants at the conference were greeted by Diane Burgess, MBA, CGA, executive director and chief operating officer of CGA-Ontario. In praising the work of the ARC she noted that in choosing the topics for its annual conferences that topic was, time after time, in step with, if not ahead of, current accounting thoughts and issues. This matter is discussed in a short side bar elsewhere in this Newsletter.

The reader will note that two concepts of work intensification are brought forward in the presentations of different members of the panel of speakers. Two of them defined work intensification as working harder within a given work period, while others related it more to the hours spent at work. No matter which definition is used, the issues remain pretty much the same.

In his presentation on the economic causes and consequences of work intensification, the first speaker, Dr. David Gray, noted that there were many causes for this move to increasing work intensification. Paramount among the causes was the globalization of economic activity and the consequent increasing pressures of competition. Workers had to be worked harder so that the need for increased efficiency and the pressures of technological change could be satisfied. A couple of studies, one done about ten years ago, a second one about two years ago, suggested a number of variables that had an impact on how hard workers had to work. The first report concluded that workers worked harder in the private sector than in the public sector, laboured more in larger firms, and worked harder still if frequent use of computer technology was involved. The more recent study reached somewhat the same conclusions. However, that study noted that job pressures were a bit diminished in recent years due mainly to a more favourable job market where alternative employment was easier to find.

Dr. Joanne Leck, in her presentation on the consequences of work intensification for human resource (HR) behaviour and management, defined work intensification as an increase in the proportion of effective labour performed for each hour of work. In other words, employees were required to work harder. He conclusions with respect to the consequences of working harder agreed with those of Dr. Gray. Dr. Leck's research, however, took a somewhat different route in that she studied how increased work intensity was forced upon employees. Some of the pressures that were used to get workers to work harder

included performance pay, close monitoring of employee behaviour on the job, and even extended to bullying tactics. Her remarks then turned to the sole of the HR department in this situation to try to mitigate the negative impact of these work related pressures on employee morale. Traditionally the HR departments have relied on employee feed-back or complaints; however, employees now appear reluctant to speak out. Therefore the HR departments will have to seek some new strategies or some new proactive approach to help employees reduce the stress levels caused by overwork.

Ron Francis addressed the issue of the challenges of work intensification for the accounting profession and accountants. He suggested that, while accountants may indeed be working harder he wonders if the quality of their work is improving. The profession is under a great deal of stress as a result of the scrutiny it is facing these days because of the unethical and indeed fraudulent behaviour of some of its members. Too, the profession is being faced with new challenges which can create more stress. Ahead among the challenges facing the profession is the requirement to improve corporate reporting to stakeholders. Demands are being made by these stakeholders for the reporting of non-financial data. Human capital accounting is being insisted upon. The problem is one of accurately measuring the non-financial information being demanded. More competence must be obtained to provide both financial and non-financial measures of organizational performance. It may be that the talents of other specialists will be needed to be integrated with those of the accountant.

The role of emotional intelligence in balancing work and lifestyle was the topic presented by Dr. Jennifer Newman. She defined work intensification as more hours spent on the job. Her general conclusion was that too much time spent at work was dysfunctional. The gap between time at work and time at home is widening and this creates stress. The organization and the employee must be aware of this situation. Both can, by their behaviour, reduce employee stress levels. People need strengthened emotional skills. For example, the quality of interpersonal relationships is the key to achieving an effective balance between work and home. People must be able to manage and balance their emotions. Organizations for their part must be psychologically healthy. Anger and hatred have no part to play in a healthy organization. Friendliness and helpfulness contribute to a healthy organization which, in turn, can contribute to a healthy work force and the achievement of corporate goals and profitability.

Dr. Ronald Colman spoke about working time and the future of work in Canada. He defined work intensification as more hours spent on the job. In portraying the work situation in Canada, he pointed rather a gloomy picture. Workers work harder the gross domestic product can grow, but generally the quality of work deteriorates and stress-related problems increase and workers have less free time. If people really mattered, the indicators of progress related to work would show the following: an increase in job security; a decline in labour polarization; a decline in overwork or people who work long hours; an increase in work that is society or environmentally benign; and reduced work stress. The Donner Report of 1994 demonstrated that none of these things were happening. In fact, all of the indicators were moving in the wrong direction. Clearly, something should be done. Dr. Colman suggested that Canada would do well to follow some of the labour practices that are showing to good effect in Europe. Unions are emphasizing quality of life issues not simply fatter pay cheques. Part-time work is being made more desirable by including fringe benefits in the pay package. Employees are being given more vacation time and working hours are being reduced, albeit at the sacrifice of some pay.

Ms. Merge Gupta-Sunderji provided an informative and entertaining presentation on strategies that can be employed to regain control of ourselves, particularly when being overloaded with work. When faced with the challenge of too much work, we have a number of choices. We can quit, we can stay and do nothing. We can change our perspective or behaviour. The speaker recommended changing our perspective and our behaviour. Changing our perspective involves having a positive conversation with one self to the tune of 'don't worry about it' or 'let it go'. Changing our behaviour means laughing as a way to cope with stress. These strategies need to be practised. Ms. Merge Gupta-Sunderji used the analysis of a horse and rider to illustrate the point that to change perspective and behaviour requires practice. It takes practice to change these, just as it takes practice to teach a horse a new way home.

The conference was closed by Dr. Michéal Kelly, Dean of the School of Management at the University of Ottawa. He thanked the speakers for their fine presentations. He spoke highly of the success of the ARC and its very positive contribution to the reputation of the University's School of Management. He made special reference to the fine efforts of Dr. Daniel Zeghal, executive director of the CGA-ARC. Dr. Kelly noted that the CGA-ARC had received a rating of "Excellent" from a review of its activities performed by a review group from the University.



Panel of speakers at the CGA-ARC 13th annual conference: (left to right) Dr. Jennifer Newman, Partner, Newman & Grigg Psychological and Consulting Services; Dr. David Gray, Professor, University of Ottawa; Ronald Francis, MBA, FCGA, Professor, Seneca College; Merge Gupta-Sunderji, MBA, CGA, Professional Speaker & Management Training Consultant; Dr. Joanne Leck, Professor, University of Ottawa and Dr. Ronald Colman, Executive Director, GPI Atlantic.

ENTERPRISE RISK MANAGEMENT WILL BE TOPIC OF NEXT CONFERENCE

The Fourteenth annual conference of the CGA-ARC will discuss the relatively new concept of enterprise risk management (ERM). The conference will be held at the National Arts Centre, at 8:30 a.m. on 21 October 2005 and will be in the same workshop format as a prior conference in that it will be open only to invited guests.

The traditional approach to risk taking in business has proven to be less than effective. Changing times and a record of dismal business failures has led to the realization that the old fragmented approach to the management of risk was simply not good enough.

Accordingly, a new approach to risk management has been developed. It is being called 'Enterprise Risk Management' (ERM) and it provides an integrated and rigorous approach to assessing and addressing the risk from all areas that could impact the achievement of an organization's strategies and objectives.

The workshop will review the advantages and benefits of ERM. It will explain how the presence of an effective program of ERM can lead to the avoidance of wide swings in net income.

In reviewing the framework for ERM, the speakers at the conference will explain how the environment of the organization and its philosophy towards risk taking are the keystones around which that framework must be built. The processes of ERM, event identification, risk assessment and risk response, will form some of the focus for the presentations.

Surveys give a clear indication that programs of ERM are being accepted and introduced into organizations. Stakeholders are demanding that effective and integrated programs of risk management be introduced into their organizations. The benefits are too good to be ignored. This workshop will assist in making you aware of the advantages and operations of an effective RM program.

RESEARCH ABSTRACTS

1. "The Boards' quality effect on value creation of Canadian firms" by Fodil Adjaoud and Daniel Zeghal.

The main focus of this study is to find out what kind of impact corporate governance has on a firm's performance. The study assesses the effect, if any, of the board's quality on the firm's performance. Does the ranking of the board in terms of high quality or low quality have any consequences on the firm's performance.

The quality of the board is judged on the basis of board composition, compensation, shareholders' rights and disclosure. Corporate performance is first defined using conventional measures of Return on Investment, Return on Equity, Earnings per share and Tobin's Q ratio. Secondly performance is defined using more recent measures such as Economic Value Added and Market Value Added. The ranking of boards performance is done based on marks given to the four characteristics to judge the quality of the boards of 270 Canadian firms listed on the TSE. Using different models of univariate and multivariate analysis, tests were done to analyze the effect of board performance on the various corporate performance measures. While no linkages are found using the conventional measures a significant link between corporate governance and performance is evident when the latter is captured by measures of Market Value Added and Economic Value Added.

2. "Board Structure and Firm Efficiency: Evidence from Canadian State-Owned Enterprises using Data Envelopment Analysis" by Richard Bozec and Mohamed Dia.

The crisis of confidence and credibility in the investment scene has created a lot of criticism of corporate governance practices. The board of director is generally seen as the major disciplinary device in aligning the interests of managers with those of the shareholders.



The participants were able to network over coffee and tea during the conference. (Left to right) : Anne Turner, member of the CGA Ontario Board of Governors, Ron Harvey, Chair, Government Relations Committee, Peter Rummye, member of the CGA Ontario Board of Governors.

Studies so far, have attempted to look at the impact of board structure on an organization's performance in the private sector. No study has yet done this for State-owned Enterprises (SOEs).

The objective of this study is to analyze the effectiveness of the board for a group of fourteen Canadian SOEs over a 26 year period (1976-2001) using Data Envelopment Analysis a linear programming method. As the interaction effect, if any, between the board and other corporate governance structures is expected to be low, it was not necessary to fully control for the potential impact of different control devices. This contributes to making a cleaner test of the board performance relationship.

The results from the multivariate analysis suggest that board size and board independence are positively related to a firm's technical efficiency only when SOEs are exposed to market discipline. In other words, product market competition is a precondition for boards to be effective.

3. "Managerial Efficiency and Human Capital Information: Linkages with the Voluntary Disclosure of Labour Costs" by Kaouthar Lajili.

This research paper examines the information content and managerial incentives for labour cost voluntary disclosures for a sample of United States publicly traded companies. We focus on labour productivity and managerial efficiency in labour usage and argue that these human resource-type of performance measures and signals. Labour productivity and efficiency indicators are estimated following a production function approach and are included in logistic regressions to help explain and predict labour cost voluntary disclosure decisions. We find that labour productivity and managerial efficiency in labour use indicators are generally different between disclosing and non-disclosing firms, and that proprietary information costs and political costs proxies are significantly related to labour costs voluntary disclosure, consistent with previous literature. These empirical results corroborate the 'proprietary information' hypothesis of voluntary disclosure where the strategic costs of disclosure outweigh the signalling benefit from disclosing human capital information.

4. "A Content Analysis of Risk Management Disclosures in Canadian Annual Reports" by Kaouthar Lajili and Daniel Zeghal.

This paper examines risk information disclosure in Canadian annual reports to provide an insight into the current risk disclosure environment, its characteristics and the analytical usefulness of the information provided to the firm's stakeholders. Following a content analysis, the paper describes and then analyses in greater detail the risk disclosure by TSE 300 Canadian companies. Results of the analysis show a high degree of risk disclosure intensity reflecting both mandatory and voluntary risk management disclosure. However, the analytical power of such disclosure, as captured by the risk assessment analysis, appears to lack uniformity, clarity and quantification thus potentially limiting their usefulness. It is concluded that more formalized and comprehensive risk disclosure might be desirable in the future to effectively reduce information asymmetries between management and stakeholders.



Audience members at the conference included accounting and business professionals

DISTINGUISHED SPEAKER SERIES

The Accounting Research Centre sponsored a number of presentations by distinguished speakers:

1. *"Conflict and Rationality: Accounting in Northern Ireland's Devolved Assembly"* by Noel Hyndman, Queen's University, Belfast, November 24, 2004.
2. *"Social Responsibility for Employee Wellness: Are Accountants Part of the Problem or Part of the Solution?"* by Angela Downey, University of Lethbridge, November 3, 2004.
3. *"The Economics of State Subsidies in Early Stage Venture Capital Investments"* by Hans-Peter Burghof, University of Hohenheim, Germany, April 7, 2004.

OTHER NEWS

- Dr. Miao Lin, a senior fellow at the China International Trust and Investment Corporation (CITIC) visited this CGA-Accounting Research Centre in September 2004.
- Dr. Daniel Zeghal, Executive Director of the Centre has joined, as a member, the CGA-Canada Research Foundation Board of Directors.
- Jessica (Xiajia) Zhang a research associate with the CGA-ARC has received the University of Ottawa's School of Management plaque for excellence in the Baccalaureate in Commerce, Honours in Accounting. Congratulations!

CGA-ARC IN THE NEWS

The CGA-ARC continues to receive positive reports in the media. Most of the comments arise out of the topics discussed at our ARC annual conferences.

The thirteenth conference prompted coverage in three separate media. *The Globe and Mail* of November 15, 2004 in an article titled "Psychologically healthy offices help productivity" praised the ARC and the work of executive director Daniel Zeghal. A second article on the ARC Conference appeared in the March 2005 edition of *Workplace Today*. The article was titled "Coping with Too Much Work" by Alison Arnot. *Workplace Today* is an online journal and can be found at <http://www.workplace.ca/magazine>.

SAMPLE OF PUBLICATIONS

"Analyse de l'utilité des données comptables dans la décision de placement avant et après l'adoption du nouveau cadre conceptuel" by D. Zeghal and Y. Mnif accepted for presentation at *26th Congress de l'Association Francophone de Comptabilité*, 11-13 Mai 2005, Lille, Belge

"Content Analysis of Risk Management Disclosures in Canadian Annual Reports" by Daniel Zeghal and Kaouther Lajili, *Canadian Journal of Administrative Sciences*, Vol.22, no.2, 2005.

"Labor Cost voluntary disclosures and firm equity values: Is Human Capital information value-relevant?" by Kaouther Lajili and Daniel Zeghal, *Journal of International Accounting, Auditing and Taxation*, Vol.14, no.2, 2005.

"Disclosure of Corporate Governance Information by Canadian Banks" by Michael Maingot and Daniel Zeghal, accepted for presentation at the *28th Annual Congress of European Accounting Association*, Goteborg, Sweden, 18-20 May, 2005.

"We told you so! Recent government study confirms conclusions of CGA-ARC conference that work overload is costly" by Paul Faulkner and Daniel Zeghal, *Statements*, February/March 2005.

"A Content Analysis of Risk Management Disclosures in Canadian Annual Reports" by Kaouther Lajili and Daniel Zeghal, *Working papers 05-06*, January 2005.

"L'effet de la concentration de l'actionariat sur l'offre volontaire d'informations dans les rapports annuels des sociétés canadiennes" by Daniel Zeghal and Hanen Ghorbel, *Working paper 04-54*, November 2004.

"A Model of Fuzzy Data Envelopment Analysis" by Mohamed Dia, *INFOR*, Vol. 42, No. 4, pp. 267-279, November 2004.

"Business Management, Ethics, and Accountability: How to Restore Public Trust" *Proceeding of the Twelfth Annual Conference*, by Daniel Zeghal Editor, 68 pages, 2004.

"Financial Reporting of Small Business Entities (SBEs) in Canada" by Michael Maingot and Daniel Zeghal, *Working paper 04-15*, April 2004.

"The Board's Qualify Effect on Value Creation of Canadian Firms" by Fodil Adjaoud and Daniel Zeghal, presented at the *27th Annual Congress of the European Accounting Association*, Prague, Czech Republic, 1-3 April 2004.

FOR MORE INFORMATION

To learn more about the CGA-ARC visit our web site at the following address: www.cga-arc.uottawa.ca

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