

How to Write a Thesis Proposal

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Introduction

Preparing a sound thesis proposal is the first step towards a good Bachelor's or Master's thesis. The main aim is to organize your thoughts, to lay out a plan for the research project, and to early on identify potential pitfalls. The proposal is also an efficient way of communicating your ideas to a prospective supervisor who uses it to assess (i) whether your research question overlaps with his or her area of expertise and (ii) whether your plan is sufficiently ambitious. A well-written proposal greatly enhances the chances that he or she accepts your supervision. The entire contents of the proposal can typically be used in the thesis and so the time you spend developing your proposal is well invested. Find below recommendations about how to write it.

Contents

In your research proposal you should (i) briefly introduce the research area you aim to contribute to, (ii) specify and motivate your research question, (iii) provide a brief overview of relevant research and position your question within the context of the existing literature, (iv) specify and motivate 2 to 4 empirically testable hypotheses, and (v) provide a brief outline of the methodology you intend to use. Nothing in your proposal is cast in stone, all may be subject to future changes. The proposal should be 4 to 6 pages long (excluding the title page and the list of references) and it should be based on 6 to 12 relevant references. When preparing your proposal you may use the provided *Thesis Template* with pre-defined styles in Microsoft Word or the alternative template in *LaTeX* provided at the thesis writing seminar.

Research Area

Start your proposal with a paragraph giving a broad introduction to the area you intend to explore. The main purpose of the introductory paragraph is to catch readers' attention and to make them interested in learning more about the topic from your research. The first paragraph typically motivates why the research area is important and hence worth investigating. If possible try to identify a controversy over some issue that your research can help resolving. You can start your proposal (and ultimately also your thesis) with a quote from a speech of a prominent person or with anecdotal evidence from business press showing that the topic is publicly discussed and that it merits systematic investigation.

Research Question

The entire thesis is essentially organized around your research question. Hence, the specification of your research question is essential. Finding a good research question is challenging. Do spend sufficient time thinking through and refining your research question. It is (much) better to invest time in finding a good research question than to waste time solving problems resulting from a research question that has not been sufficiently thought through. A good research question shall meet several criteria.

First, and most importantly, your research question should be *specific*. It should address a relationship between two clearly identifiable factors. Optimally provide a simple "yes or no" question that you can easily explain and motivate to your friends or fellow students. It is *not* a good idea to propose research questions such as "What is the relationship between firm quality and economic development?", because it is not clear what kind of "relationship" you envisage. Similarly, it is *not* a good idea to use characteristics that are too broad. For example, a question "Do better firms hire better managers?" is problematic because it is unclear what is meant by the word

“better”. In contrast, good research questions may be formulated as follows: “Are firms with more independent corporate boards more profitable?”, “Is the information asymmetry between managers and investors greater in firms that face more intensive competition?”, “Do firms artificially inflate earnings before issuing equity?”, etc.

Second, the investigation of your research question must be *feasible*. There are many interesting questions that are basically impossible to study. Typically a research question’s feasibility depends on the availability data you need to test your question. For example, a research question “Are firms lead by more intelligent management more profitable?” would be rather interesting to study, but it is very hard to obtain information on individual managers’ intelligence.

Third, your research question should optimally be *interesting*. That means that providing an answer to the question is relevant for the current research discourse, for the business praxis, or for policy decisions. Motivate your research question by specifying who can benefit from learning the answer to the question. Naturally, to be interesting your research question must also be somewhat original as replicating an existing study has only a limited potential to change the way people think about phenomena. However, note that at the Bachelor’s and Master’s level the originality requirements are fairly modest. It is (much) better to specify a question that (only) slightly extends what has already been investigated in the past research and to explore it neatly than to embark on the big voyage of exploration of a grandiose research question and to eventually fail to handle the analysis.

To find your research question skim through past theses that received high grades (preferably distinctions). This will let you develop intuition for what kind of questions tend to have a good potential. You do not need to read the entire theses; it is typically enough to read through the abstracts and sometimes the introductions. After that, explore recent working papers in the area of your interest using keyword

search on the Social Science Research Network (SSRN, <https://www.ssrn.com/>). Going through recent working papers tells you what topics are currently being investigated, which may inspire you for your own work. You may also consider exploring controversial topics discussed in the media. If possible discuss your thoughts with your peers. Brainstorming may generate some interesting thoughts that you can further develop. Your friends can also give you valuable feedback on how interesting your question is. When (i) they understand your research question and (ii) they do not find the answer obvious you are likely on the right track...

Finding a suitable research question is an integral part of the thesis writing process and so you should not expect your supervisor to formulate a research question for you. Nevertheless, your supervisor should provide feedback on the research questions you propose and suggest possible ways of developing them.

Literature Review

When you choose an interesting question it is natural to explore the existing literature to see what research has already been done on the topic. You may find out that your question has already been analyzed. In that case you need to modify your question to make original contribution to the existing literature. Note that while replicating an existing study using a different sample provides a very limited contribution, it is typically quite sufficient to use an existing paper as a point of departure and to modify or extend its methodology to generate complementary or refined results.

After you verify that your research question has not yet been researched study the relevant literature that is related to the question. From your proposal it should be obvious that you have mastered the literature and you understand the questions and controversies it addresses. You should also have a rough idea about methodologies

that are commonly used. You should also be aware the interconnections between the most important articles. You do *not* need to understand the details of every article you cite. Your proposal should be based on 6 to 12 relevant references.

In your literature review it is important to present relevant studies in a structured way highlighting the interconnections between individual papers. Organize your literature review as a report about ongoing discourse/debate on the topic, rather than as a large pile of findings the relationship between which is unclear. It is *not* optimal to dedicate one paragraph to one article. Instead, you should identify the most important questions and discuss what we can learn from various studies about them.

Providing a literature review is not a goal *per se*. It is intended to “pave the way” to presenting and motivating your own research question to explaining how it extends and contributes to our existing knowledge. Thus, it is important that (i) you provide a synthesis of the literature you cover so that the reader understands the “state of knowledge” of the area and (ii) you explain how your study connects to the existing research. In other words, you should “position” your work within the context of the existing research.

To keep your reading efficient increase gradually the level of depth with which you study individual papers. First, read only the titles and the abstracts of a fairly large number of papers (e.g. 20). Identify those that are most relevant for your work. Second, out of that broad pool select papers that are closely related to your intended research (e.g. 6). Read their (i) introduction, (ii) conclusion, (iii) tables with table notes. This allows you to quickly acquire basic insight into their contents. If you are interested in a specific piece of information you may try reading the first sentence of every paragraph as the first sentence should be indicative of the paragraph contents. Third, select a limited number of papers that are most closely related to your work

(e.g. 2) and study them carefully. Sometimes it is preferable to read the key papers several times to make sure you understand them well.

To identify relevant articles in the field of your interest I recommend you to use *Google Scholar* (<http://scholar.google.com/>). When you discover a relevant article you may use links in “Cited by” and “Related articles” to find similar papers. Not all research articles are created equal. When studying the literature consider the quality of the journal where the article is published. Important and well-crafted papers tend to be published in higher quality journals. The best journals in the field of finance and accounting are:

- *Journal of Finance*
- *Journal of Financial Economics*
- *Review of Financial Studies*
- *Journal of Financial and Quantitative Analysis*
- *Review of Finance*

- *Journal of Accounting and Economics*
- *Journal of Accounting Research*
- *Accounting Review*
- *Review of Accounting Studies*

I suggest you use *Zotero* (<https://www.zotero.org/>) to download and work with research articles. Learn how to use it (<https://www.youtube.com/watch?v=q6-YOPS1xY4>). Use the EZ Proxy (<http://knihovna.fsv.cuni.cz/el-inf-zdroje/ebsohost>) to automatically download the .pdfs. Installing the provided citation style *Active Working Paper* helps you import, format, and list references in *Microsoft Word*.

It is rather important to take notes while reading the literature and to gradually build up a mind map of the individual articles and the interconnections between them.

You may use the provided *Map of Literature* in *Microsoft Excel* that lets you categorize the articles and visualize the links.

Hypotheses

Your proposal should include 2 to 4 hypotheses. Hypotheses are simple statements that propose a relationship between two factors that can be empirically tested. Usually, the simpler and the shorter your hypothesis the easier it is to explain and motivate it. Formulate your hypotheses in the following way: “Hypothesis 1: There is a positive (or a negative) association between a Factor X and a Factor Y.” For example, “There is a positive association between the industry concentration index and future stock returns on insider trades.” Make sure that each hypothesis addresses only one relationship. The formulation should be specific enough to understand how in principle the Factors X and Y will be measured.

If possible let your hypotheses capture directional predictions, i.e. specify whether you expect a positive or a negative relationship between the two factors. Suggesting a direction of the association makes it easier to motivate your hypotheses and to have a focused discussion on whether the envisaged relationship is likely to prevail or not. Sometimes, *a priori* expectations are difficult to make because a number of forces are at play. In that case formulate non-directional hypotheses, e.g. “Hypothesis 1: There is no association between a Factor X and a Factor Y”. Nevertheless, pay attention to explaining what individual factors you expect to impact on the relationship and in what way.

Every hypothesis should be accompanied with a paragraph that motivates your prediction. Explain the mechanism through which you believe Factor X influences Factor Y. The expected relationship is typically motivated with a reference to the existing literature, which is why the hypotheses are usually included in the literature

review section. The best way of motivating a proposed relationship is with a prediction of a theoretical model. For example, the Capital Asset Pricing Model (CAPM) suggests that if risk-averse investors optimize their overall portfolio risk an asset's expected return is positively associated with its contribution to the portfolio risk measured by its market beta. Unfortunately, there are few models that have not yet been tested and so it is rather rare to see hypotheses motivated by theory.

If you do not find any model relevant for your test (which is quite likely) you can motivate your hypotheses based on similar relationships empirically documented elsewhere. For example, if past research shows that female executives tend to be discriminated against in wage negotiations you may plausibly argue that women are also likely to be discriminated against in corporate board appointments. You may formulate a hypothesis: "Hypothesis 1: Women are less likely to be nominated to corporate boards than men of comparable ability".

If you cannot find even empirical research relevant for motivating your hypotheses provide a compelling intuitive argument to support your hypothesis. It is important to provide a sharp motivation sufficient to persuade the reader that the envisaged relationship is likely. For example, you may argue "A survey by Transparency International (2016) shows that good corporate governance induces greater managerial effort. Thus, I expect managerial effort to lead to better managerial decisions that will ultimately enhance a firm's profitability. Consequently, I expect firms with better corporate governance to have better operating performance."

Optimally, your hypotheses should be interrelated. Typically, the first hypothesis tests the main relationship implied by your research question. The additional hypotheses can address refinements of the main relationship. For example you may consider conditioning factors that you expect to make the relationship stronger or weaker. For example, Hypothesis 1 may suggest: "The level of total

executive compensation is higher in socially stigmatized industries,” and Hypothesis 2 can suggest “The premium in executive compensation in socially stigmatized industries is smaller in firms that invest more in improving their public perception by public relations (PR) activities.” Alternatively, Hypothesis 1 can propose a positive relationship between corporate governance quality and operating performance. Hypothesis 2 can then suggest that the positive association is stronger in countries with poor institutional setting. You could motivate such a hypothesis by arguing that firm-level corporate governance mechanisms are particularly important when they have to compensate for poor country-level institutional setting.

The additional hypotheses may address the economic consequences of the main relationship. For example, Hypothesis 3 may suggest that investors’ expectations about superior future operating performance in firms with better corporate governance implies their higher valuation in financial markets. Alternatively, you may propose in your Hypothesis 3 that the stock market reaction on insider sales is stronger in firms with weaker corporate governance because these trades are more likely to be opportunistic and to convey a signal about poor future performance.

Methodology

Finally, it is useful albeit not quite necessary to provide an outline of the methodology you plan to use for your empirical tests of your hypotheses. You can outline your preliminary thoughts about how you will measure individual variables, what regression specifications you consider and where you plan to obtain the data. If you have already checked that you will have access to the data you need mention it in the proposal. The most efficient way to perform your empirical analysis is to use a statistical software package, e.g. *STATA*, *SAS*, *R*. You may learn how to use *STATA* from an online course: <http://www.ats.ucla.edu/stat/stata/>.

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