Bottom-up Innovation: A Study of Intrepreneurship in Organizations Through the Adoption of Continuous Monitoring
Why is there not more CA/CM in use?

There is a disconnect between those with the knowledge (accountants – IA or MA) and those with the authority/resources to champion its adoption.

For CA/CM adoption, knowledge must be pushed up through the organization to those who do have the ability to champion it.

We call this bottom-up innovation.
Why treat CA or CM as an ‘innovation’?

- "Innovation" is a fundamental factor necessary for organizations to achieve and maintain competitive advantage
- CM is not so much a new tool as a new approach to viewing organization-wide responsibilities
- Lack of research on this type of innovation
  - the predominant frame of innovation research has a top-down orientation
  - many innovations in organizations come about through the efforts of intrepreneurs — entrepreneurial-oriented individuals working from within the company
much more difficult path to innovation

- these employees must possess the individual characteristics necessary to pursue non-traditional job activities,
- they must find themselves within an organization that at the least does not suppress individual initiative, and
- the innovation itself must be of a nature that would warrant the attention and resources of the employee as well as management.
Management Accountants and Controls Monitoring

- **COSO – Guidance on Monitoring Internal Control Systems**
  - First, organizations must maintain ongoing evaluations of their internal control components – in place and working as intended.
  - Second, organizations must identify and communicate internal control deficiencies in a timely manner – monitoring should be a continuous process rather than a separate evaluation routine.

- **We define the adoption of Continuous Monitoring by management accountants as an innovation process that is *bottom-up*, initially championed by employee intrepreneurs who are in the position to understand the innovation's potential benefits and to sell that potential up the corporate ladder**
MODEL OF THEORY: Intent to Champion Innovation

INNOVATION CHARACTERISTICS
- Ease of Use
- Compatibility
- Trialability
- Visibility
- Result Demonstrability
- Image
- Relative Advantage - (Perceived Usefulness).

COMPLEXITY
- Form of Technology - ICMM / ECMM

Social Influence

Behavioral Intention - Intent to Champion Innovation

ORGANIZATION’s ORIENTATION TOWARD INNOVATION
- Top management support
- Trust in organization

INDIVIDUAL’S INCLINATION TO INNOVATE
- Action Orientation
- Prior Technology Experience

Actual Behavior - Championing Innovation
Development of Instrument

- Survey opened with definition of Continuous Monitoring
- Between-subjects design, varying complexity of CM system described –
  - ICMM – automated data extraction tool, with periodic assessment and reporting
  - ECMM – assessment is automated and continuous
- Next asked Intent to Champion CM
- Followed by questions developed from several bodies of research
  - Diffusion of Innovation literature,
  - Technology Acceptance Model (TAM)
  - Innovation research from OB and Strategy
Execution of Survey

- Practitioner members of IMA were invited to participate in an on-line survey via email with ‘clickable’ web address for survey
- Resulted in usable sample of 322
  - Age mean (S.D.) of 44 (9.0)
  - Management accounting experience mean (S.D.) of 14.4 (8.9)
  - Industries – 17 different industries, although one-third were concentrated in manufacturing
  - Certifications – 46% with CMA and 28% with CPA
  - Education – 44% undergraduate degrees, 54% master's degrees, 76% of degrees in accounting and finance.
Tests of Between-Subjects Effects
Regression on Intention to Innovate

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R-Squared = .585 (Adjusted R Squared = .568)
P-values are one-tailed
Contribution and Next Steps

- Engaged management accountants in the discussion of CM adoption
- Found that complexity of CM may hinder support, therefore should start simple
- Confirmed the theory that characteristics of the technology, of the organization, and of the individual champion all influence innovative behavior in the championing of CM from the bottom up

- Will pursue a more complete model of determinants through SEM
Thank you