Don’t blame the tools: the adoption and implementation of managerial innovations

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Research summary:  
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1. **Overview of project**

A prominent responsibility of managers in all types of organisations is to continually seek to improve the profitability, service or other performance criteria of their organisations, or the parts of organisations in which they are particularly active; or at least being seen to do so.

New challenges such as decreasing product lifecycles (Carson et al, 2000), global competition, customers becoming more demanding and greater technological progress will present new issues for managers and hence lead them to try to find innovative managerial approaches to address these issues. The people governing and managing organisations are often criticised for being ‘faddish’ in their use of new management ideas. Many all too easily fall into the trap of adopting the latest new idea or concept that is ‘flavour of the month’. It is not always obvious, however, how this new idea will be of value to the organisation. This is particularly true when the new idea involves considerable time and capital investment to implement. What is more, the development of new management ideas seems to be on the increase and they are often aimed organisation wide, making them potentially even more costly and time consuming to implement (Rigby, 2001).

This project looked at the link between the decision to adopt a new management idea or tool and its subsequent implementation. To our knowledge this link has not previously been studied so our project was exploratory in nature. In particular, it studied factors that influenced the decision to adopt a management accounting innovation and the impact these factors appeared to have on the implementation. We also tried to identify practices that could help the innovations be successful across the organisation.

2. **Research approach**

The well established balanced scorecard (BSC) was selected as one management innovation to study. To provide a comparison, the relatively newer innovation of a programme management office (PMO) was also selected. As organisations carry out more, and increasingly complex projects, PMO offices are being established to coordinate and centrally manage all projects in the organisation. The exploratory nature of the study suggested a case study approach and four in-depth case studies of organisations were undertaken. The study focused on organisation wide innovations, as previous literature suggest that managers find these types of innovation particularly difficult to implement. Three of the case study organisations had adopted or were in a process of adopting a BSC and one organisation had adopted a PMO.

The three organisations that had adopted the scorecard provided an in-depth range of experiences: one organisation was still in the process of implementing the scorecard, one had implemented it and was using it, whilst the third organisation had implemented the scorecard, used it for a number of years and had ceased using it and moved on to a new idea. The sample contained three public sector organisations and one for profit private sector organisation, which were respectively a hospital trust, a police force, a county council and a retail bank. In total 15 interviews were carried out with a range of relevant senior management staff including managers responsible for the implementation of the innovation across the organisations. Appendix B gives a short summary of the case studies.

3. **Objectives**

The aim of the study can be summarised as: To identify the significant influences on the decisions made by organisations to adopt a management innovation and how these are related to the subsequent implementation of the innovation. The main research questions are defined as follows.

- **How is the adoption of a management innovation by an organisation triggered?**
- **How do the adoption decision studied relate to the adoption rationales identified by Sturdy (2004)?** Please see appendix A for more information on Sturdy’s rationales for adoption.
- **How do these influences on the adoption decision, including the rationales identified by Sturdy, relate to subsequent implementation of the innovation?**
- **How can the assimilation of organisation wide innovations be improved, (i.e. what appears to be good practices in implementing the innovations?).**
4. Findings and recommendations

Following Patton (1990), in order to focus interpretation, the following themes or topics relating to the adoption decision phase and the implementation phase of the innovation lifecycle were considered across the four case studies:

- the problem or event that triggered the need for an innovative way of working
- influences on the decision to adopt the particular innovation chosen and how these relate to decision making approaches identified by Sturdy (2004)
- when in the lifecycle of the innovation adoption commenced
- the length of time it took to implement the innovation after making the decision to adopt
- how long use of the innovation lasted.

a. Triggers of innovation adoption

All four cases exhibited a clear trigger event or an ongoing problem that caused each organisation to consider the adoption of the managerial innovation. These problems are summarised in appendix B, with the summary of the case study organisations. A striking feature is that all triggers derived from powerful institutional stakeholders and from senior levels in the organisations. Grassroots clamour for these innovations was not evident in the cases, although that may be because informants were content to play this down.

b. Influences on the adoption decision

In all four cases we found a lack of formal evaluation of alternative ways of addressing the events or problems that had triggered the requirement for a managerial innovation. Two aspects seem to emerge from the descriptions of the decision to adopt and vary across the cases; the degree to which the decision to adopt was influenced by a significant individual or group, and the degree to which the organisation either looked externally to other organisations to ratify their adoption, or relied on their own internal sense making and known capabilities for justification.

c. Time of adoption in the innovation lifecycle

The analysis of the time of adoption according to the innovation life cycle reveals that two of the organisations adopted the innovation at an early stage and therefore could be considered as innovators (Rogers, 1995), where the other two could be described as majority adopters.

d. Relative speed of the implementation of innovation

The analysis of the speed of implementation has shown a great variability in the time that organisations have taken to implement the innovation. There are number of factors that could explain such variability, but the main ones are:

- the use of previous performance measurement systems as a basis of the management innovation
- the influence of a champion in the decision to adopt the innovation
- the spread of the innovation across the organisation
- use of technology to support the innovation.

e. How long has the use of innovation lasted

Only one of the organisations studied had ceased using the innovation considered and it would appear that a political rationale led not only to the adoption of the innovation in the organisation, but also to its discontinuation. Therefore, we are unable to comment on the relative time that an innovation is used. However, it would appear logical, that where innovations are implemented more slowly, they are likely to be used for a relatively longer time.

f. Summary of the findings

A summary of the findings is given in Figure 1. We suggest that managerial innovations tend to occur early and be undertaken relatively rapidly when they are associated with an influential individual or group, who in turn are influenced by internal needs and capabilities. Adoption of an innovation should be treated like any other investment decision made by the organisation, provided there is an established method of doing this. For example, if it is normal that an investment is preceded by a careful pilot evaluation that feeds into the development of a robust business case that is reviewed and accepted or modified by others within the organisation, then that should be
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applied. If there are alternative but equally valid ways of evaluating an investment (e.g. by democratic process or consensual professional process), then those should be followed. Early adopters driven by a political rationale for adoption may well discontinue the innovation after a relatively short time in accordance with the ‘distancing perspective’ associated with this rationale by Sturdy (2004). This behaviour was witnessed in the retail bank case study. Perhaps rather counter intuitively then, those organisations that implement innovations well, and can therefore move onto new innovations, appear most ‘faddish’, a term that is often associated with organisations switching rapidly between innovations, as they are either not succeeding with them or they are not meeting their needs. Where the adoption of an innovation is associated with an influential individual or group but is influenced by external factors (Figure 1, top right quadrant), most commonly the use of the innovation by similar organisations, implementation is also relatively rapid. However, this is likely to take place later, once the innovation has gained legitimacy. This was witnessed in the hospital trust case study.

In our study, the organisation associated with a limited influence by a significant individual or group, but with an internal origin or rationale for adoption is the police force (bottom left quadrant). This organisation was also linked to a slightly lower level of achievement from its use of the innovation studied, particularly related to the slow up-take of the project management methods that the PMO was seeking to introduce. The lack of an influential individual or group and a predominantly external influence on adoption is also associated with lower performance than could be achieved, primarily due to the drawn out implementation (bottom right quadrant). The county council case might also be interpreted as indicating that drawn out implementation is associated with a long life of the innovation, even if it is not being used by all relevant staff. Hence, in contrast to the early and fast implementers, the later and slower implementers may appear less faddish, and hence by association the innovation more successful on grounds of endurance.

Figure 1: Impact of influences on adoption decision on outcome of adoption

<table>
<thead>
<tr>
<th>Likely to be associated with...</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>• the influence of a powerful insider</td>
<td>Retail bank</td>
<td>Police force</td>
</tr>
<tr>
<td>• early and rapid adoption</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• a relatively rapid turnover of innovations making the organisation appear faddish.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Likely to be associated with...

| • the influence of a powerful outsider(s) | Hospital trust |
| • later but rapid adoption | |
| • limited ambition - if you can implement this rapidly and well, perhaps you could have done more. | |

Origin of influence on adoption decision

<table>
<thead>
<tr>
<th>Internal</th>
<th>External</th>
</tr>
</thead>
<tbody>
<tr>
<td>• group decision making</td>
<td>• group decision making</td>
</tr>
<tr>
<td>• search for a champion - likely to find one internally</td>
<td>• search for a champion - likely to find one externally</td>
</tr>
<tr>
<td>• lower level of achievement.</td>
<td>• lower level of achievement.</td>
</tr>
<tr>
<td>• longer lasting innovations as it is difficult to introduce something new when the previous initiative is not complete.</td>
<td>• longer lasting innovations as it is difficult to introduce something new when the previous initiative is not complete.</td>
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</tbody>
</table>
5. Implications of the findings for practical application

We have identified the following key findings that can explain the adoption of managerial innovations in the organisations:

- **Managerial innovations are a natural consequence of a dynamic business environment.** The findings of this research show that rather than simply following fashions, the adoption of managerial innovations is a response to an external or internal trigger. The adoption of such innovations should not therefore be seen as a weakness to be addressed but as a natural consequence of a dynamic business environment. However, it is also recognised that the introduction of organisation-wide innovations in particular, can be very costly and disruptive and hence organisations should select innovations carefully and test their usefulness before adoption, as discussed below.

- **The need for the innovation should be separated from the chosen solution.** The people governing and managing organisations should seek to separate the event or problem that triggers the need, or perceived need, for the adoption of an innovation and the actual adoption decision. Whilst there is likely to be strong support for addressing the trigger, there may not be such strong support for the solution.

- **A robust business case is needed and the innovation should be tested before adoption.** Whilst the influence of a significant individual or group is important, preparing a robust business case for the innovation, including forecast benefits and costs, and pilot testing the innovation are equally as important. Preparing a business case that is open to review will encourage the evaluation of alternative innovations and will also prevent the adoption appearing like a ‘pet project’ of an individual or a knee-jerk reaction to the recommendation of management consultants or other groups. Accounting specialists have an important role to play in preparing and scrutinising such business cases, alongside business managers and other specialist staff.

- **Actively manage the end game.** The discontinuation of innovations should be actively managed, rather than simply letting them dissipate or fall into disuse. The transition in moving away from an innovation that was used in the past to the adoption of a new management innovation should be communicated throughout the organisation, highlighting that the organisation faces new events or challenges and that the previous innovation was no longer suitable to meet these challenges.

a. **Good practices in embedding the innovation in the organisation**

We have also identified what we have called good practices in adopting management innovations by looking in all the case studies and finding those practices that seemed to be linked to more rapid and effective implementation. These included:

- **Adapting the innovation to fit the organisation.** All four organisations studied have adapted the innovation in question to meet specific contingencies in their organisation.

- **Training should be tailored to the needs of individuals or groups in the organisation.** The study has identified the need for the organisations to provide tailored training to different users or user groups, in order to ensure that the implementation is successful.

- **A champion is vital.** This research underlines the importance of an influential individual or group in supporting implementation and following it through. It also finds that in the cases studied, hiring an individual from outside to champion the innovation may be less effective than finding a senior level champion from within the organisation.

- **Pilot, stress testing and a business case are essential for the successful implementation of the innovation.** Some of the organisations studied undertook pilot studies in order to improve the business case that was submitted to win approval for wider implementation of the innovation.

- **If possible, include the innovation in a wider programme of change.** Linking the introduction of the innovation to a wider programme of change was also found to be effective. The rationale for such wider programmes may be more easily understood and supported by staff, for example a ‘customer focus programme’, can be more easily understood and adopted by staff than the less obvious ‘need to improve performance management’.
In contrast to the best practice we have also identified the following approaches that appeared to slow implementation:

- allowing a phased approach to be slowed by different factions within the organisation
- introducing an innovation where existing ways of working are adequate
- providing benefits to the organisation but not to the individuals that must use the innovation.

b. Implications of the research for Management Accountants

Although it is impossible to generate a single recipe or set of rules for practitioners to follow when adopting managerial innovations, the research does identify some practical implications. Professional accountants should play an important role within their organisation in determining the need for new managerial approaches, in their evaluation and implementation. In particular management accountants should be engaged in:

- **Developing a robust business case.** The findings suggest that developing a robust business case to justify and guide the adoption and implementation of a managerial innovation is important. Management accountants and other financial specialists will have a vital role to play in developing and scrutinising such cases, aided by business managers and other specialist colleagues. Such business cases should include estimates of both the expected costs and benefits, both of which can be refined by undertaking the suggested pilot testing. In order to provide relevant information, accounting systems need improving in order that the costs of innovation are not just anecdotal and are not hidden. They also need to signal diversions of resources from existing activities or increases in activities that arise from the innovation.

- **Continuous monitoring and assessment.** Given the considerable financial and other resource implications of the use of managerial innovations, their implementation and assimilation should be followed by monitoring and assessing, to ensure they remain appropriate to the organisation's need and remain effective. Finance professionals can have an important role to play in designing and undertaking such monitoring and review. They will also need to establish when it is appropriate to discontinue the use of an innovation.

- **Support from technology.** Getting the best out of a management innovation also depends on how data and information is captured and used. Sometimes this can be quite sophisticated, for example the use of ERP or even business intelligence systems, whereas in some cases, fairly basic (e.g. use of Excel spreadsheets). Management accountants can play an important role in assessing and developing data systems that will be to the organisation's benefit.

6. Conclusions and suggestions for further studies

Whilst the case study method employed has provided a rich picture of the adoption and implementation process within the organisations studied, the findings are recognised as exploratory in nature. Further studies can confirm and extend the study findings by:

- inclusion of wider number of case studies
- widening the scope of the case studies to include the views of wider range of stakeholders, such as staff, customers, suppliers and regulatory agencies
- widening the sample of the case studies to include non-for-profit organisations and even large multinationals
- undertaking a large scale quantitative study in order to generalise the findings of the study.
Appendix A - Sturdy’s rationales for adoption of innovations

An important consideration in the adoption of innovations is the rationale underlying that adoption. Sturdy (2004) posited six rationales for the adoption of managerial innovations as described in Table 1.

Table 1: Sturdy’s (2004) Rationales for the Adoption of Managerial Innovations

<table>
<thead>
<tr>
<th>Rationale</th>
<th>Description</th>
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<tbody>
<tr>
<td>Cultural view</td>
<td>Highlights that the diffusion of ideas can be spread across cultures, for example, through globalisation, mergers/joint ventures. Local knowledge can act as a ‘bridge or barrier to transfer’.</td>
</tr>
<tr>
<td>Dramaturgical view (rhetoric)</td>
<td>Focuses on the supply side of the relationship, the persuasiveness influence of management gurus, management consultants, academics, etc. and their presentation techniques. Overall impression management is vital, not necessarily the content.</td>
</tr>
<tr>
<td>Institutional view</td>
<td>Now ascendant in organisational studies, this view accounts for social or societal influences on of organisational practices and that peer and shareholder legitimacy is sought more so than the efficiency and shareholder wealth maximisation concerns of the rational view.</td>
</tr>
<tr>
<td>Political view</td>
<td>Broadly concerned with ‘the instrumental use of ideas to secure power and/or with their content in terms of their material and/or discursive power effects’. Basically ‘which ideas and practices are diffused depends in part on who has control of the means of dissemination’ and ‘ideas flow mostly from the powerful’.</td>
</tr>
<tr>
<td>Psychodynamic view</td>
<td>Associated with emotionally informed views and can be based on an impulsive decision to adopt ideas, which vary in how they benefit the organisation. A competing psychosocial process that involves both autonomy and belonging, and so, paradoxically, managers want to be seen to be using some new technique both before and at the same time as everyone else.</td>
</tr>
<tr>
<td>Rational view</td>
<td>Based on a cognitive approach using proven models or techniques of decision making. Also associated with finding a solution to match a perceived problem or crisis, the search for ‘proven’ techniques and causal links between practice and performance.</td>
</tr>
</tbody>
</table>
Appendix B - Summary of case studies

This section presents a brief overview of each of the four case studies.

**Case one: Hospital Trust (HT)**

HT is a hospital trust in the English National Health Service (NHS). Around 2002, HT attracted significant, high profile negative publicity relating to poor clinical practice. HT was subsequently identified as being one of the worst performing trusts in the country by the Audit Commission. Following on from this, an independent assessment by the regional health authority identified a number of issues at HT, including poor governance and senior management. Coinciding with this was the arrival of a new chairperson, whose primary objective was that HT would improve its performance rating (from zero) by changing various structures, processes and staff. However, in seeking to improve HT’s performance, its expenditure increased, triggering a financial crisis.

In 2005, HT brought in external management consultants in an advisory capacity. As part of addressing the situation, they recommended that HT should use a BSC in order to improve governance and performance management. Development and implementation of the BSC was accomplished within six months.

HT is now one of the top 40 hospitals in the NHS and is currently applying for foundation status.

**Case two: County Council (CC)**

CC is a local authority serving a county of England. Like other organisations in the public sector, CC is under constant performance review by central government. CC has been assessed as performing consistently well over the years. Despite this good level of performance, in 2001, senior managers had a strong desire to ensure continuous improvement. Total Quality Management (TQM) was considered as one approach that CC could adopt, but officials of the Strategic Management Board (SMB) identified the BSC as more appropriate and useful.

Adoption commenced in 2002 and someone with experience of the BSC elsewhere was recruited from outside the organisation as head of performance improvement to lead implementation. Management consultants were brought in to assist initially. The process of implementing the BSC organisation-wide has been much more protracted than in the other organisations in this study. A phased approach to implementation commenced with use by the SMB, followed by plans to roll out adoption in each of the several service divisions of CC.

It was expected by those interviewed in 2006 that the BSC implementation across CC would be complete in 2008.

**Case three: Retail Bank (RB)**

RB is the retail arm of a large bank based in the UK. In 1993, a new chief executive was appointed. He thought that RB was too focused on short-term financial performance, and so was excluding other issues, such as innovation, customer service, and employee development. He was keen to develop a new performance management system. RB identified a BSC as fitting its needs, and after testing extensively, the BSC went live across the organisation on 1 January 1996. Rather than the more usual strategic BSC (see Kaplan and Norton, 1996a, 1996b), it was decided to develop an operational scorecard. The measures from this could be ‘cascaded up’ the organisation. This BSC was included as part of a wider culture change programme called the Customer Focus Programme.

RB used its BSC for about three years. Then, there was a change of chief executive and of focus. The incoming chief executive had a successful background in retailing and believed the crucial factor for the success of RB was the sale of products. In 1999, RB replaced the BSC with a sales management system.
Case four: Police Force (PF)

PF is a police force based in Scotland. In 2003, a corporate risk register drawn up by PF identified ‘an inability to deliver major projects to time, cost and quality’. At about the same time, Her Majesty’s Inspectorate of Constabulary (HMIC) also identified a lack of coherent business processes within PF. In 2005, PF established new governance mechanisms to cover all projects in order to address these issues. A PMO was established as part of these mechanisms. This occurred rapidly, in just ten months. The role of the PMO was to promote the use of standard project management methods and tools across all projects, monitor the progress of ongoing projects and support the new governance structure. In 2007, an evaluation of project management within PF was conducted as part of an audit by the City Council that oversees PF, resulting in a positive audit report. However it is recognised that within the force not all projects use the suggested approaches or use them consistently.
References


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