



Timing the adoption of the new Canadian GAAP for private enterprises

Le choix du moment de l'adoption des nouvelles normes comptables canadiennes pour les entreprises à capital fermé

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Abstract

Prior research into the adoption timing decision of organizations in relation to newly promulgated accounting standards has focused exclusively on public enterprises and used economic cost-benefit frameworks. The current study draws on the theories of organizational diffusion of innovation and reasoned action to identify the factors that influence the adoption timing decision of private firms in relation to the new Canadian GAAP for private enterprises, published in 2009. It is shown that knowledge, relative advantages, compatibility, complexity and subjective norms play a significant role in managers' adoption behaviour, as do sponsorship, managerial tenure and work groups. These results have broad implications for private enterprise managers, financial statement users, standard setters and academics.

Key words: Accounting standards for private enterprises, adoption timing decision, Canada, diffusion of innovation theory, theory of reasoned action.

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Résumé

Les recherches antérieures qui ont étudié le choix du moment de l'adoption de nouvelles normes comptables se sont intéressées exclusivement aux entreprises publiques et ont utilisé des cadres conceptuels économiques axés sur les coûts-bénéfices. La présente recherche s'appuie sur la théorie de la diffusion des innovations dans l'organisation et la théorie de l'action raisonnée afin d'identifier des facteurs qui influencent la décision des entreprises privées concernant le moment de l'adoption des nouvelles normes comptables canadiennes pour les entreprises à capital fermé publiées en 2009. Il est démontré que les facteurs suivants jouent un rôle significatif dans le comportement des managers relatif à l'adoption des normes : connaissances, avantages relatifs, compatibilité, complexité, normes subjectives, comportements passés vis-à-vis de l'adoption de nouvelles normes, durée de l'emploi dans l'entreprise et groupes de travail. Ces résultats présentent un intérêt marqué pour les managers d'entreprises privées, les utilisateurs des états financiers, les normalisateurs et les membres de la communauté académique.

Mots clés : Canada, choix du moment de l'adoption, normes comptables pour les entreprises à capital fermé, théorie de l'action raisonnée, théorie de la diffusion des innovations.

Introduction

Prior studies into the adoption timing of organisations in relation to newly promulgated accounting standards has focused exclusively on public enterprises and used mainly economic cost-benefit frameworks (e.g. Amir and Ziv, 1997; Iatridis and Joseph, 2006). The current study combines the theories of organisational diffusion of innovation (Rogers, 1995) and reasoned action (Ajzen and Fishbein, 1980) to build a comprehensive framework able to capture a broad range of factors, including cost-benefit considerations to explain the adoption behaviour of private businesses. The study was conducted in response to Evans et al.'s (2005) and Nobes' (2010) calls for further investigation into accounting policy issues in the private sector. The research was carried out in Canada, where a new set of accounting standards for private enterprise was recently promulgated (hereinafter "new GAAP for private enterprises").

Private enterprises represent 99% of Canadian companies, employ approximately 55% of the Canadian workforce and account for 45% of Canada's total economic output (AcSB, 2004). Little is known about their accounting policy choices, despite the economic importance of private enterprises in Canada (AcSB, 2004) and elsewhere around the world (Evans et al., 2005). Even less is known about how companies time their adoption of newly promulgated accounting standards. This study investigates this question, in view of its relevance now that many countries around the world are considering adopting a new accounting framework for private enterprises.

By April 2010, about 60 countries had adopted or were about to adopt the IFRS for SMEs published by the International Accounting Standards Board (IASB) (IFRS Foundation, 2010), or a framework based on this standard, and the list of 'adhering' countries is continuously expanding. Among these 60 jurisdictions, approximately 35 had indicated their intention to adopt their private enterprise standards in the near future, i.e. within the next three years (Christodoulou, 2010). Other countries, like Canada, decided to develop a totally homemade standard. In both cases, the promulgation of new accounting standards can involve transition periods of two to five years (Bujaki and McConomy, 2007), during which time entities can opt for early adoption of the new recommendations or wait until the latest date to apply them. Australia, Israel, the U.K. and Venezuela are among the countries that will allow early adoption

of their new accounting framework for private enterprises before their effective date of application.¹ The new Canadian GAAP for private enterprises became effective in 2011, with early adoption being allowed in 2009 or 2010. While the standard setter may have had commendable reasons for including a transition provision in its newly promulgated accounting standard, the fact remains that such a provision can affect the comparability of the financial statements prepared during the transition period. This issue can be significant for lenders and venture capitalists, who constitute the main group of financial statement users in the private sector (Paradis et al., 1999). It is therefore important to understand why managers of private enterprises opt for early adoption or defer the application of new accounting standards. This understanding will inform standard setters about the merits of allowing transition periods and lenders and venture capitalists about the reasons underlying the adoption behaviour of firms. Managers of private businesses will benefit from understanding the determinants of their peers' adoption behaviour as they reflect on issues they should consider in their own decision-making process. The academic community will gain insights into the adoption behaviour of managers of private firms, currently an under explored topic.

This study views the new GAAP for private enterprises as an accounting innovation, since it involves new practices in corporate financial reporting. Rogers (1995, p. 11) defines an innovation as “an idea, practice, or object that is perceived as new by an individual or other unit of adoption.” After adopting a new accounting framework, private firms must modify their financial reporting system to produce the required financial information. The resulting new set of accounting policies thus corresponds to an innovation. Our aim in this study is to highlight the factors that led managers of a sample of Canadian private enterprises to opt for early adoption or to defer the application of the new GAAP for private enterprises.

The remainder of the paper will proceed as follows. We first describe the Canadian context in which the new accounting framework for private enterprises was proposed, after which we present our theoretical background, followed by a description of our research design and

¹ See <http://www.vrl-financial-news.com/accounting/the-accountant/issues/ta-2010/ta-6078/australian-board-decides-again.aspx> (Australia), http://www.dwacc.com/index.php?option=com_content&view=article&id=40&Itemid=53&lang=en (Israel), http://www2.accaglobal.com/pubs/general/activities/library/financial_reporting/other/tech-tp-fofr.pdf (UK), and <http://media.ifrs.org/smeNov10.html> (Venezuela).

methodology. We then present and discuss our findings, and end with our conclusions, the study's main implications, and areas for future research.

Financial reporting by private enterprises in Canada

In the past, private and public enterprises in Canada used the same set of accounting standards. From 2002 on, Canadian non-publicly accountable enterprises, with their owners' unanimous consent, were allowed to use a limited number of differential reporting options, i.e. simplified accounting treatments or reduced disclosures (Rennie and Senkow, 2009). For example, they were allowed to use either the equity or the cost method to account for subsidiaries, and the taxes payable basis to account for income taxes. This situation prevailed until 2006, when the Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants (CICA) announced its intention to adopt international financial reporting standards (IFRS) for public enterprises as of 2011 (AcSB, 2006). In that context, the AcSB issued a discussion paper on financial reporting by private enterprises in 2007 (AcSB, 2007). The paper presented three options: a differential reporting regime based on IFRS, adoption of the IFRS for SMEs being developed by the IASB, or a made-in-Canada stand-alone framework. In the meantime, Canadian public enterprises had adopted new accounting standards for financial instruments based on international standards. Private businesses had the option of not applying the new standards, in addition to the other differential reporting options available. After analysing stakeholder input in comment letters filed in response to the discussion paper and from roundtable discussions, the AcSB chose option three and proposed an independent set of accounting standards for Canadian private enterprises (AcSB, 2009a). The board officially adopted the new accounting standards for private enterprises in September 2009 and published them the following December (AcSB, 2009b). The AcSB defined a private enterprise as a profit-oriented entity that is neither a publicly accountable enterprise nor an entity in the public sector (CICA, 2011). The new framework integrates as accounting policy choices all the differential reporting options that were previously available. However, it differs significantly from the previous framework in that, for example, it allows the measurement of property, plant and equipment at fair value at the date of transition, use of a simplified accounting treatment for employee future benefits, expensing of all

development costs, and measurement at fair value of listed subsidiaries and listed investments subject to significant influence. It also simplifies disclosure requirements.

Although the new GAAP for private enterprises applies to annual financial statements for fiscal 2011 onward, earlier adoption was permitted for fiscal periods beginning in 2009 and 2010. The following section discusses the factors that might contribute to managers' timing for adopting the new standards.

Theoretical background

Young (1998) clearly summarised the various economic cost-benefit frameworks used in the literature to explain managers' accounting policy choices, classifying them into three overlapping categories: costly contracting theories, income smoothing, and information signalling. Positive accounting theorists used the first framework to identify profitability (used in compensation contracts), financial leverage (used as an accounting-based debt constraint), and political visibility as determinants of accounting policy choices (e.g. Astami and Tower, 2006; Dhaliwal, 1982; Healey, 1985; Watts and Zimmerman, 1986). Income smoothing theorists posited that managers strive to minimise volatility in reported earnings (Young, 1998) for many reasons, notably that the smoothed earnings are expected to reinforce perceptions of the firm's performance and profitability and possibly lead to a reduction in the firm's cost of capital. Information signalling theorists suggested that managers make accounting choices that reflect their expectations regarding the firm's future cash flows (Young, 1998). Managers may select income-increasing accounting policies in a given current period to signal future benefits resulting from current period expenses (e.g. R&D, market share). Theoretical justifications such as those suggested by the three categories of economic cost-benefit frameworks have been used to explain how public companies time their adoption of mandated accounting changes (e.g. Amir and Ziv, 1997; Iatridis and Joseph, 2006). They have been used in market-based research, and some of them might not be appropriate for studies on private enterprise. In addition, they might underplay the role of additional determinants. Instead of using a cost-benefit framework, this study contributes to the literature by combining Rogers' (1995) diffusion of innovation theory and

Ajzen and Fishbein's (1980) theory of reasoned action to examine the adoption behaviour of private company managers.

The first theory is relevant because it suggests broad categories of innovation characteristics that facilitate or hinder adoption. We view the new GAAP for private enterprises as an accounting innovation whose characteristics are expected to affect the decisions of private enterprise managers in regard to the timing of their adoption of the new principles (2009, 2010, or 2011). The diffusion of innovation theory has been used mainly in management accounting research (Sisaye and Birnberg, 2010; Zawawi and Hoque, 2010), where it has successfully explained the diffusion of accounting innovations in the private sector, including activity-based costing (Malmi, 1999) and transfer pricing (Perera et al., 2003). It is also informing a promising research agenda being developed in the public sector (Lapsley and Wright, 2004; Poirier and St-Germain, 2005). Recently, it was used in financial accounting research to study the diffusion of accrual accounting for fixed assets in the public sector (Mellet et al., 2009). We therefore consider it relevant to the study of the adoption timing decision of private enterprise managers.

The theory of reasoned action (Ajzen and Fishbein, 1980), which is concerned with the determinants of consciously intended behaviours, has been used in several accounting investigations into the decision to major in accounting (Jackling and Keneley, 2009), the impact of course structure on students' attitudes and behaviours (Shafteel and Shafteel, 2005), the factors that influence the ethical behavioural intentions of public accountants (Buchan, 2005; Gibson and Frakes, 1997), and auditor aggressiveness in client relations (Cohen et al., 1994). Since this theory covers aspects not captured by the diffusion of innovations theory, it is included in our comprehensive framework, which is described further on in this section.

The diffusion of innovation theory and the theory of reasoned action have also been used in information technology research. It is worth noting that Xu and Quaddus (2007) recently used both theories in their model of adoption and continued use of knowledge management systems. We also find it practical to combine them to achieve a more thorough understanding of the topic under study.

In his diffusion of innovation theory, Rogers (1995, p. 161) suggested a five-stage model of the innovation-decision process through which an individual “passes (1) from first knowledge of an innovation, (2) to forming an attitude towards the innovation [persuasion], (3) to a decision to adopt or reject, (4) to implementation of the new idea, and (5) to confirmation of this decision.” The first three stages, knowledge, persuasion and decision, are particularly relevant to our purpose, while the fourth and fifth stages (implementation and confirmation of decision) are less so, considering the timing of our research and the fact that the implementation of the new GAAP for private enterprises becomes mandatory by the end of 2011. In Rogers’ theory, the decision (third stage) pertains to adoption, rejection with later adoption or continued rejection. In our context, the decision is to either adopt the principles or reject them in favour of adopting them no later than 2011, the last possible year. “Early adopters” would have adopted the new framework in 2009 or 2010, and “laggards” will defer adoption until 2011.

The theory of diffusion of innovations suggests that knowledge about the new accounting framework is likely to play a key role in the adoption timing decision. Early knowledge is expected to induce early adoption. According to Rogers (1995), early knowers are more educated than later knowers. The importance of education in the early adoption of accounting standards has already been demonstrated (e.g. Ciccotello et al., 2000), and its effect on the adoption of other accounting innovations such as activity-based costing (Argyris and Kaplan, 1994; Krumwiede, 1998) and total quality management (Gurd et al., 2002) has been documented. Rogers (1995) also pointed out that early knowers are more exposed to interpersonal channels and participate socially more than later knowers. These external communications affect the organisation’s ability to scan its environment to learn about new ideas (Damanpour, 1991), which in turn affects its adoption of accounting innovations, as in the case of accrual accounting in the public sector (Anessi-Pessina et al., 2010).

In our context, knowledge of the new accounting framework may be affected primarily by managers’ (CFO, controller or VP Finance) accounting background, i.e. whether they hold a professional accounting designation. It is reasonable to expect accounting professionals to be more aware than other stakeholders of the changes promulgated by standard-setting authorities that affect their day-to-day activities. Their knowledge can also be affected by any professional

education training that they may have had on financial reporting by private enterprises. Since the CICA launched the project in 2006, the CICA, the provincial institutes of accountants and industry associations have organised many professional education sessions that have provided learning opportunities for managers. Self-learning activities that managers engage in may also increase their knowledge of the new framework. The AcSB posted a considerable number of resources on their web site for that purpose. Materials such as webinars, comparisons with previous applicable standards, model financial statements, and guidelines on how to convert to the new framework are but a few examples of resources that have been available. Lastly, discussions with peers in business and professional networks are other sources of knowledge. Managers have many of their peers who are also affected by accounting pronouncements, and peer meetings are occasions to share knowledge on current issues. As the diffusion of innovation theory suggests, we expect knowledge to have a positive impact on early adoption.

In Rogers' (1995) diffusion of innovation theory, persuasion refers to the perceived characteristics of the innovation, i.e. the innovation's attributes. Those that are relevant to our context are the innovation's relative advantages, compatibility and complexity (Rogers, 1995).

An innovation's relative advantages or perceived benefits pertain to "the degree to which an innovation is perceived as being better than the idea it supersedes" (Rogers, 1995, p. 212). As Dunk (1989) contended, relative advantages are key drivers of changes in management accounting systems. In financial accounting settings, this characteristic captures the adoption behaviour determinants suggested by positive accounting theorists. The first determinant is managerial compensation. Because accounting numbers are commonly used in compensation arrangements, managers are expected to choose income-increasing accounting methods to maximise their remuneration (Healey, 1985; Iatridis and Joseph, 2006; Watts and Zimmerman, 1986). When private enterprises have employment contracts that include provisions related to financial statement figures, we expect that managers would opt for early adoption of the new GAAP for private enterprises if the expected impact on earnings is positive.

The second determinant suggested by positive accounting theory is leverage. Dhaliwal (1982) and Holthausen (1990) demonstrated that highly leveraged firms are likely to oppose accounting

standards that would increase leverage and thereby increase the risk of a breach in debt covenants. The new GAAP for private enterprises allows firms to measure their property, plant and equipment at fair value at the date of transition and to use the same value as the underlying assets' deemed cost as of that date. This one-shot restatement would increase the value of fixed assets and decrease leverage and debt-to-equity ratios. Consequently, we expect managers of firms that have debt contracts with provisions based on financial statement figures to choose to restate fixed assets at fair value and opt for early adoption of the new accounting framework.

The third determinant suggested by positive accounting theory relates to firm size. Managers of politically visible firms are expected to choose income-decreasing accounting policies so they can minimise their level of taxation and maximise their level of subsidies (Watts and Zimmerman, 1986). However, this political visibility argument applies mainly to very large firms operating in a public market environment (Trombley, 1989). Nevertheless, large firms are presumed to have more resources at their disposal, which facilitates early compliance with newly promulgated accounting standards (e.g. Iatridis and Joseph, 2006; Sami and Welsh, 1992). It is reasonable to assume that large firms in a private company environment would do the same. We thus predict that larger firms would be inclined toward early adoption of the new GAAP for private enterprises.

Lastly, cost-benefit arguments have historically been suggested as justification for simpler accounting standards for private enterprises (Evans et al., 2005; Paradis et al., 1999; Rennie and Senkow, 2009). Consequently, the perceived costs of preparing financial statements under the new GAAP for private enterprises and to have these statements compiled, reviewed or audited are other factors that might affect the timing for adopting the new framework. We assume that an expected decrease in costs would lead to early adoption. Conversely, accounting changes often lead to additional costs incurred to comply with the new requirements. If managers expect a cost increase, they may be inclined to defer adopting the new framework.

The cost of preparing financial statements includes not only the preparation of the required financial information but also the cost that may result from other parties using the disclosure information and adversely affecting the reporting firm. Under the proprietary costs theory

(Verrecchia, 1990; Wagenhofer, 1990), firms limit their footnote disclosures because of potential proprietary costs. Private enterprises with numerous financial statement users may opt to restrict footnote disclosures to limit the amount of information falling into the hands of competitors. Capital-intensive private firms can have a wider range of financial statement users – banks, venture capitalists, government financing agencies, lessors and suppliers – that finance their important asset fleets. Since the new GAAP for private enterprises involves fewer disclosure requirements – pertaining to inventories, pensions and financial instruments, for example – we expect that capital-intensive firms would opt for early adoption of the new GAAP for private enterprises.

Foreign investors are another factor to consider under the cost-benefit argument. The new GAAP for private enterprises has the distinction of incorporating the previously available differential reporting options directly into each applicable standard. Under the previous differential reporting regime, the selection of one or several differential reporting options required shareholders' unanimous consent, a costly procedure when shareholders were geographically dispersed. In the absence of this requirement under the new framework, we expect that private enterprises with significant foreign investors will opt for early adoption of the new framework.

In Rogers' (1995, p. 224) diffusion of innovation theory, compatibility refers to “the degree to which an innovation is perceived as consistent with the existing values, past experiences, and needs of potential adopters.” In the management accounting innovation literature, compatibility has been identified as a significant determinant of changes in management accounting systems in general (Dunk, 1989) and of the adoption of specific innovations, such as activity-based costing (Alcouffe and Guedri, 2008). It was also an important factor in the adoption of accrual accounting for fixed assets in the public sector (Mellet et al., 2009). For many years, accountants have called for simpler accounting standards that would be more compatible with the needs of private business owners (Paradis et al., 1999) and private business financial statement users. This issue has gained traction with the adoption of IFRS geared to the reporting requirements of large and public enterprises (Evans et al., 2005). The prevalence of perceptions that the new GAAP will therefore help produce financial statements that are more useful and understandable to owners and financial statement users is expected to influence managers to take advantage of the

new framework's early adoption option. Similarly, the extent to which the new GAAP differ from a private enterprise's current financial reporting practices is another facet of compatibility that may affect the timing of the policy's adoption. We expect that managers will be willing to adopt the new GAAP sooner if the new standards do not dramatically alter their firm's current accounting policies.

Compatibility issues are likely to produce a different effect on private enterprises with significant foreign transactions. Many such firms deal with Export Development Canada (EDC), a Canadian export credit agency that offers financing and insurance services to help Canadian exporters expand their international business. As a financial statement user, EDC is thus interested in obtaining more information about the various risks that a Canadian exporter faces. The simplification of accounting standards for private enterprises described in the preceding paragraph has led to less stringent disclosure requirements regarding financial instruments, including the risks involved. The new GAAP allows private enterprises to disclose only their exposure to various risks without having to release additional information such as their objectives, policies and processes for managing risk and risk measurement methods, or details on credit risk, financial assets impaired, and collaterals and liquidity risk, all of which is information that was previously required from private enterprises that were applying the financial instrument standards. We thus expect that managers of private enterprises with significant foreign transactions will defer the application of the new framework in order to provide information compatible with the needs of EDC even though the agency can request further information if the need arises. These companies might also adopt the standards later if they are caught up in international operations and do not view early adoption of the new standards as a priority.

In Rogers' (1995, p. 242) diffusion of innovation theory, complexity pertains to "the degree to which an innovation is perceived as relatively difficult to understand and use." Complexity has been identified as a relevant factor favouring changes in management accounting systems (Dunk, 1989) and explaining the diffusion of accrual accounting for fixed assets in the public sector (Mellet et al., 2009). In this study, complexity matters that may affect the timing of adoption are the extent to which the new accounting framework is considered easier to apply to the enterprise's operations and transactions than the former procedures, the effort required to learn

the new framework and the amount of effort required to obtain the necessary information to apply it. We assume that complexity perceptions influence managers to postpone the application of the new set of standards.

Damanpour (1991) conducted a meta-analysis of organisational innovation and identified organisational factors that are determinants of innovative behaviour. Rogers' (1995) model fails to capture some of the factors (managerial attitude towards change and managerial tenure) that are relevant to our subject. Managerial attitude towards change (or sponsorship), i.e. the extent to which management is in favour of change, leads to an internal climate conducive to innovation (Damanpour, 1991) and is an important factor in the implementation of innovations such as activity-based costing (Argyris and Kaplan, 1994). For our purposes, it relates to the frequency with which the firm has opted for early adoption of newly promulgated accounting standards in the past. As managerial attitudes regarding early adoption might reproduce over time, we expect that early adopters will continue the trend in relation to the new GAAP for private enterprises.

Managerial tenure represents the length of service and experience that managers have within an organisation; the longevity of managers in their job provides legitimacy and knowledge of how to accomplish tasks and is expected to positively affect their innovative behaviour (Damanpour, 1991). The years of service accrued by the manager responsible for adopting the new accounting framework may affect the timing of its adoption. We expect tenured managers to adopt the new GAAP for private enterprises early because of their thorough understanding of every aspect of their firm's transactions, operations and accounting system.

Team relationships, i.e. collaborative efforts and peer exchanges, can also lead to innovative behaviour (Scott and Bruce, 1994). Having a work group in the organisation that discusses changes in accounting standards may influence the firm's timing for adopting the new accounting framework. Sharing ideas, issues and concerns about the timing of adoption can lead to early or late adoption, depending on the considerations and issues raised by work group participants. We thus have no a priori expectations about the impact of this variable on adoption timing.

The theory of reasoned action (Ajzen and Fishbein, 1980) predicts that performance of a specific behaviour is determined by an individual's behavioural intention, which in turn is determined by both the individual's attitude toward the behaviour, and subjective norms. This theory may explain any human behaviour, including the intention to adopt an innovation. An individual's attitude toward a behaviour relates to his beliefs about the consequences of performing the behaviour, and is adequately captured by the perceived benefits of an innovation in Rogers' (1995) model. Subjective norms refer to personal beliefs about whether specific individuals or groups think the behaviour should be performed or not and to the individual's motivation to comply with specific referents (Xu and Quaddus, 2007). Auditors are important referents for their clients' enterprises. Many authors have documented the role of auditors in their clients' financial reporting policy choices (e.g. Affes and Callimaci, 2007; Dumontier and Raffournier, 1998; Mezias, 1990; Singhvi and Desai, 1971). In timing their adoption of the new framework, private enterprises may seek the opinion of their external accountants. Although we expect discussions with external accountants to affect this timing, we have no a priori expectation as to the influence of accountants' opinion.

In summary, our framework predicts that the following variables will have an incidence on companies' timing for adopting the new GAAP for private enterprises: knowledge, the innovation's relative advantages, compatibility, complexity, sponsorship, managerial tenure, work groups, and subjective norms.

Method

We now present our research design and the operational definitions of the variables derived from our theoretical framework.

Sample

We conducted a mail survey of managers of Canadian private companies responsible for selecting accounting policies within their organisation. Our initial sample was composed of the following

2000 enterprises: the 689 private enterprises with no parent company² listed in the *Canadian Business Resources* (CBR) database, and 1311 private enterprises randomly selected from Industry Canada's *Canadian Company Capabilities* (CCC) database, a compilation of 2915 Canadian companies with more than 100 employees.³ Any companies identified in the first database were eliminated in the second selection process. A total of 939 enterprises were removed from our initial sample for various reasons that arose after the initial mailing: identification as subsidiaries of public or foreign companies (638), not-for-profit or public sector organisations (63), professional firms or cooperatives (25) and survey questionnaires returned to sender / firm or manager could not be reached (196). The final sample for this study consisted of 1061 organisations. A total of 153 managers completed and returned the questionnaire, resulting in an overall response rate of 14.4%. This proportion seems within normal limits in large surveys of CFOs; for example, Graham and Harvey (2001) obtained 9%, and Trahan and Gitman (1995), 12%. A total of 120 survey instruments were usable among the 153 returned: four survey instruments were largely incomplete, six managers indicated that their firm was a subsidiary of a public company, 11 indicated that their private parent company dictated the choice of accounting standards, and 12 indicated they had chosen to apply IFRS.⁴

Our survey instrument was developed to include all the variables suggested by our theoretical framework. The operational definition of each variable is described in the next section. The questionnaire was pretested in both French and English with two managers of private enterprises and three faculty colleagues. Changes were made to clarify the wording of some questions and to improve the content presentation. The questionnaire was mailed at the end of 2010 and a reminder was sent out at the beginning of 2011,⁵ when managers had recently decided or were in the process of deciding when to adopt the new GAAP for private enterprises.

² Firms with a parent company were excluded because the parent company was likely to dictate their choice of accounting framework. For companies selected from the CCC database (which does not specify the existence of a parent company), the questionnaire asked about the influence of a parent company on the choice of accounting policy.

³ The enterprises had to be large enough to ensure that the newly adopted framework affected their accounting practices and financial statement figures. Enterprises listed in the CBR database were large firms expected to have more than 100 employees.

⁴ Canadian private enterprises have the choice of either adopting the new GAAP for private enterprises or IFRS.

⁵ Seventy-seven responses (64%) had been received before the reminder, and 43 (36%) were received after the reminder was sent. We tested for non response bias by comparing respondents' demographics and responses for the model variables before and after the reminder date. There were no significant differences at $p \leq 0.05$ for any of the

Model and variables

The following logistic regression model was used to explain an organisation's timing for adopting the new GAAP for private enterprises. The measures used for each construct presented in the conceptual framework are grouped accordingly.

$$\begin{aligned}
 TA_i = & \beta_0 + \beta_1 (Know_i) + \beta_2 (Discol_i) + \beta_3 (Impbemc_i) + \beta_4 (Exfairdbc_i) + \beta_5 (LNemplent_i) \\
 & + \beta_6 (Costs_i) + \beta_7 (Foreigni_1) + \beta_8 (Capint_i) + \beta_9 (Compatib_i) + \beta_{10} (Foreignt_i) + \\
 & \beta_{11} (Complex_i) + \beta_{12} (Complap_i) + \beta_{13} (Earlyadop_i) + \beta_{14} (Entexp_i) + \beta_{15} (Entwg_i) + \\
 & \beta_{16} (Advacti_i) + \varepsilon_i
 \end{aligned}$$

In the questionnaire, respondents were asked to indicate the year of adoption of the new GAAP for private enterprises, represented by our dependent variable, timing of adoption (*TA*). *TA* corresponds to the log of the probability of adopting the new set of standards for the fiscal year beginning in 2009 or 2010 over the probability of adopting it for the fiscal year beginning in 2011. Thus, a positive (negative) sign for the beta coefficient indicates that the variable positively (negatively) influenced early adoption of the new set of standards (i.e. 2009 or 2010); in other words, positive signs indicate early adoption (2009 or 2010), and negative signs, late adoption (2011).

We now present the operational definitions of our independent variables, in the same order as they appear in our conceptual framework.

Knowledge is represented by two variables, *Know* and *Discol*.⁶ *Know* represents respondents' level of knowledge about GAAP for private enterprises, whether acquired through professional training or self-learning activities. It is the average of three factors: professional education about the new set of standards, self-learning activities, and familiarity with the new GAAP. *Discol*

variables except for *Discol* (Knowledge through discussions with colleagues in professional/business networks). It therefore appears that non-response bias was not a major concern in relation to this sample.

⁶ Holding a professional accounting designation constitutes a type of knowledge. However, since virtually all the respondents held such a designation (see Table 1), this variable is not included in the regression.

measures knowledge acquired through discussions about the new standards in business or professional networks and is the average of two factors: discussions with colleagues in professional/business networks about when to adopt the new standards, and determining the enterprise's accounting policy choices under them. Each factor represents a questionnaire item presented and measured on a Likert-type scale anchored at Not at all (1), Moderately (4) and Extensively (7).

The innovation's relative advantages (perceived benefits) are represented by six variables: *Impbemc*, *Exfairdbc*, *LNemplent*, *Costs*, *Foreigni* and *Capint*. The respondents were asked to characterise the perceived impact on earnings (Increase, Decrease, No significant impact) and whether their company offered employment contracts with provisions related to financial statement figures (Yes or No). The perceived impact on earnings when employment contracts are based on financial statement figures, represented by the variable *Impbemc*, is measured by a dichotomous variable with a value of 1 when impact on earnings is negative for companies that have employment contracts based on financial statement figures, and 0 otherwise.⁷

The questionnaire asked respondents whether they intended to use the exemption allowing them to measure property, plant and equipment at fair value on the date of transition to GAAP for private enterprises, and whether their company had debt contracts with provisions related to financial statement figures (Yes or No). The transition exemption allows firms to increase the value of their assets and thereby decrease their debt-to-equity and leverage ratios. Such ratios are used as constraints in debt contracts. Hence, the intention of using the fair value exemption when the company has debt contracts that include provisions based on financial statement figures, *Exfairdbc*, is measured by a dichotomous variable that takes the value of 1 when an enterprise falling into that category intends to use the fair value exemption, and 0 otherwise.

LNemplent, *Costs*, *Foreigni* and *Capint* relate to cost issues. *LNemplent*, representing the size of the firm, indicates the firm's level of resources for implementing the new set of standards and is measured by using the natural logarithm of the number of employees in the enterprise as reported by the respondent. *Costs* is the average of two values: the perceived cost of financial

⁷ There is no variable reflecting a positive impact on earnings for companies that offered employment contracts based on these figures, since none of our respondents held this perception.

statement preparation and of the audit/review/compilation of financial statements under the new standards, as compared with previous GAAP. Both items were measured on a Likert-type scale anchored at Significantly lower (1), Similar (4) and Significantly higher (7). Respondents were also asked whether their company had significant foreign investors or creditors (Yes or No), i.e. *Foreigni*. If Yes, the variable takes the value of 1, and 0 otherwise. Lastly, the respondents were required to indicate the approximate percentage of fixed assets over total assets, representing capital intensity, i.e. *Capint*, which is a proxy for the number of outside parties interested in the enterprise's accounts.

Compatibility is represented by two variables, *Compatib* and *Foreignt*. The first variable is the average of five factors: the perception that users and owners will obtain more understandable financial statements, the perception that users and owners will receive more useful financial statements, and the perception that significant changes will occur in the enterprise's financial reporting (reverse coded). Each element is a questionnaire item measured on a Likert-type scale anchored at Not at all (1), Moderately (4) and Extensively (7). The respondents were also asked to indicate (Yes or No) if their enterprise had significant foreign transactions, i.e. *Foreignt*. This variable takes the value of 1 when the enterprise has significant foreign transactions, and 0 otherwise.

Complexity is represented by two variables, *Complex* and *Complap*. *Complex* is the average of two items: a significant learning effort is required to gain sufficient knowledge of the new standards, and a significant amount of work is required to gather the information needed to apply the new standards. These questionnaire items were measured on a Likert-type scale anchored at Not at all (1), Moderately (4) and Extensively (7). *Complap* is the level of complexity of the process of applying the new standards to the enterprise's operations and transactions, compared with the complexity of preparing the most recent set of financial statements under previous GAAP. It is presented and measured on a Likert-type scale anchored at Significantly lower (1), Similar (4) and Significantly higher (7).

Sponsorship, i.e. *Earlyadop*, refers to the enterprise's attitude towards early adoption of newly promulgated accounting standards. This questionnaire item was measured on a Likert-type scale

anchored at Not at all (1), Moderately (4) and Extensively (7). Managerial tenure, i.e. *Entexp*, is the respondent's number of years of service to the firm. The respondents were also asked to indicate (by Yes or No) whether the organisation had a work group (*Entwg*) that discusses changes in accounting standards. *Entwg* takes the value of 1 when there is such a group, and 0 otherwise.

Subjective norms (*Advacti*), i.e. whether the enterprise seeks advice from its external professional accountant about the timing for adopting the new standards, is a questionnaire item measured on a Likert-type scale anchored at Not at all (1), Moderately (4) and Extensively(7).

Results

Sample's descriptive statistics

Table 1 presents the sample's descriptive statistics. The majority of respondents were English-speaking (75 percent, or 90/120) males (78.3 percent, or 94/120). Their mean age was about 49 years, and they had an average of 25.3 years of business experience. All but five respondents had an accounting designation. The enterprises represented in the sample were of quite different sizes. Their assets ranged from \$1 million to \$1.94 billion⁸, with a mean of \$134.178 million. Their revenues ranged from \$595,000 to \$3.758 billion, with a mean of \$179.984 million. They employed between 15 and 11,000 employees, with a mean of around 604, and their head offices were mainly in the provinces of Ontario and Quebec. However, 41 enterprises were from other provinces or territories: British Columbia (13), Alberta (12), Manitoba (5), Saskatchewan (2), New Brunswick (3), Nova Scotia (3), Prince Edward Island (1), and the Northwest Territories (2) (not tabulated). The enterprises' fiscal year-ends were mainly in December (51) and January (13); however, there were three to eight year-ends in each of the remaining 10 months (not tabulated). Most of the companies employed a Big 4 accounting firm to audit or review their financial statements.

Insert Table 1 here

⁸ The numbers are in Canadian dollars.

Descriptive statistics for the model's variables

Table 2 presents the descriptive statistics for the model's variables. The respondents' knowledge about the new GAAP for private enterprises is moderate ($m = 3.8$, on a Likert-type scale ranging from 1 to 7), and the knowledge they acquired through discussions in business or professional networks is somewhat low ($m = 2.7$). The costs of financial statement preparation and assurance under the new standards are seen as somewhat similar to that for the most recent financial statements prepared under GAAP ($m = 4.4$). The enterprise's capital intensity ranges widely, from 1 to 95 percent, the mean being 29 percent. The mean of the natural logarithm of the number of employees in the enterprise (5.6) corresponds to 612 employees. Compatibility of the new standards in terms of usefulness and understandability for users and owners is relatively low ($m = 3.4$). Complexity in terms of the work required to gather the information for applying the new set of standards and the learning effort required for sufficient understanding is seen as moderate ($m = 4.0$). The level of complexity of applying the new standards to the enterprise's operations and transactions is seen as similar to the complexity of the previous framework ($m = 4.2$). Overall, the level of sponsorship of the newly promulgated accounting standards is low ($m = 2.5$). Managerial tenure is quite high as show by the mean of 10.8 years for respondents' years of experience with the enterprise. The advice of the enterprise's external professional accountant regarding the company's timing for adopting new standards is perceived as somewhat important ($m = 4.9$).

Insert Table 2 here

Some respondents ($n = 5$) who indicated that their firm had employment contracts based on earnings perceived that the application of the new standards would negatively affect earnings. A number of respondents ($n = 26$) with debt contracts that include provisions based on financial statement figures intended to use the fair value exemption. A few enterprises ($n = 12$) had foreign investors or creditors while almost half of them engaged in foreign transactions ($n = 51$). The presence of a working group that discusses proposed changes in accounting standards was observed in 14 enterprises.

Logistic regression results

Table 3 presents the results of the logistic regression on the variables that were expected to explain the timing decision for adopting the new standards for private enterprises.⁹ The level of knowledge that respondents have regarding the new GAAP for private enterprises, whether acquired through professional training or self-learning activities (*Know*) and through discussions in business or professional networks (*Discol*), has significant negative coefficients. This indicates that, contrary to expectations, the more knowledge managers have about the new standards, the longer they postpone implementing them. This trend might be due to their perceptions about the significance of the changes generated by the new framework. Indeed, the more managers know about the standards, the more they can appreciate that although there are differences, they are not that significant. In fact, the respondents did not believe that the new set of standards would bring significant changes to their enterprise's financial reporting system (m = 2.5, std dev. = 1.3, not tabulated). Thus, they might see no need for to adopt the new standards early.

Insert Table 3 here

In terms of the relative advantages of adopting the new standards, five of the variables are significant or marginally significant, and three have the expected impact on early adoption. When managers expect a negative impact on earnings-based compensation following the adoption of the new framework (*Impbenc*), there is a significant positive impact on early adoption instead of the expected negative impact. This might be related to the “big bath” effect (Watts and Zimmerman, 1986). Since the adoption of the new framework is mandatory for enterprises that do not want to adopt IFRS, managers who expect a negative effect on earnings and their remuneration might want to take the inevitable loss immediately to preserve future bonuses. They concurrently want to signal to users that the decrease in earnings is out of their control because it is caused by mandated accounting changes. In addition, the managers' intention to use the fair value exemption when firms have debt contracts that include provisions based on financial statement

⁹ The highest significant Spearman's rho correlation among independent variables is 0.509 followed by correlations of 0.401 and lower. A number of variables are not correlated at all. Thus, multicollinearity does not seem to be a problem.

figures (*Exfairdbc*) is not significant in explaining early adoption. This might be due to enterprises not being close to their debt ratio constraints. In that event, they might not see the benefit of restating early their fixed assets at fair value at the date of transition to the new framework. Also, firms in general might not want to record a restatement that would subsequently have a negative impact on earnings through an increased amortisation expense. Firms might prefer to avoid revaluation costs as well.

Firm size has a significant negative impact on early adoption, contrary to expectations. Thus, large firms seem to delay their adoption of the new standards even if they would have sufficient resources to ensure early compliance. This confirms the problematic nature of the size hypothesis as “firm size may proxy for a range of additional (unspecified) factors” (Young, 1998, p. 133).

Predictably, the expected cost of financial statement preparation and assurance under the new standards in comparison to the most recent financial statements prepared under GAAP (*Costs*) has a significant negative influence on early adoption. Managers prefer to delay implementing costly accounting changes. Significant foreign investors or creditors (*Foreigni*) have a marginally significant positive impact on early adoption since the enterprises no longer have to incur costs for seeking approval from all their owners for using differential reporting options. Capital intensity (*Capint*) has a marginally significant positive impact on early adoption since enterprises can decrease their reporting of risks to outside parties under the new standards, thereby decreasing proprietary costs. These two last variables have the expected effect on early adoption.

The perception that the new GAAP will help produce financial statements that owners and financial statement users will find more useful and understandable (*Compatib*) has no effect on early adoption. Managers might consider that owners and users already have access to all information they need and that the implementation of a new accounting framework will not improve anything in this respect. However, the fact that an enterprise has large foreign transactions (*Foreignt*) significantly and negatively influences early adoption, as expected. This may be due to the firm’s inclination to fulfil the information needs of Export Development Canada, an important stakeholder and a critical user of exporters’ financial statements.

Alternatively, firms might focus their energy on their international operations rather than give priority to early adoption of the new standards.

The learning effort required to gain sufficient knowledge of the new standards and the amount of work required to gather the information needed to apply the new standards (*Complex*) are not significant in explaining early adoption. This may be due to the fact that respondents believe that only moderate effort is required to master or gather the information on applying the new standards ($m = 4.0$, Table 2). However, the complexity of applying the new standards to the enterprise's operations and transactions compared with the complexity of preparing the most recent set of financial statements under previous GAAP (*Complap*) significantly and positively influences early adoption. This is contrary to expectations. It should be kept in mind that the respondents who would be applying the new standards for fiscal years beginning in 2011 had not had any experience with the standards at the time that this study took place (end of 2010 and beginning of 2011). Therefore, their responses reflect only their expectations in regard to the new standards ($m = 4.1$ for *Complap*). The respondents who indicated that they had applied or would apply the new standards in regard to fiscal years beginning in 2009 or 2010 include those who were working for firms that had already applied them at the time of the study. These respondents therefore concretely experienced applying the new standards to the preparation of financial statements, and, upon doing so for the first time, may have perceived that they were more complex than previous GAAP ($m = 4.5$ vs. 4.1 for *Complap*, $p = 0.015$, two-tailed t test, not tabulated).

Sponsorship (i.e. the enterprise's attitude towards the early adoption of newly promulgated accounting standards, *Earlyadop*) significantly and positively influences early adoption, suggesting that private enterprises might have a policy about the early or late adoption of newly promulgated standards. Managerial tenure (i.e. the respondent's number of years of employment in the enterprise, *Entexp*) has a significant positive effect on early adoption. This may be due to the fact that experienced managers with in-depth knowledge of their enterprise are more innovative. These two variables have the expected effect on early adoption. The existence of a work group in the organisation that discusses changes in accounting standards (*Entwg*) also

significantly and positively influences early adoption. This highlights the importance of sharing ideas on important issues and concerns about the impact of new accounting standards

Advice from the enterprise's external professional accountant concerning the timing for adopting the new standards has a significant positive influence on early adoption. It would thus appear that the accountants expressed a preference for early rather than late adoption. This confirms that accountants influence their clients' policy decisions.

Overall, the variables in our framework are quite successful in classifying early and late adopters. As Panel B (Table 3) shows, 72.4% of early adopters and 90.9% of laggards were appropriately classified.

Conclusion, implications and future research opportunities

Managers' decisions about when to adopt the new GAAP for private enterprises can be explained by the following factors. Managers' level of knowledge about the new framework, the expected costs, the experience of significant foreign transactions and the size of the firm all significantly influenced managers to defer the adoption. By contrast, they were influenced to opt for early adoption by the expected negative impact on earnings-based compensation, significant foreign investors, capital intensity, the complexity of applying the new framework, sponsorship in the past adoption of newly promulgated standards, managerial tenure, the presence of working groups in the firm and the advice of the firm's external accountant.

Overall, in terms of the elements of Rogers' (1995) model of the innovation-decision process, knowledge has the reverse (negative) anticipated effect on early adoption of the new standards, and relative advantages in terms of perceived benefits or costs play either a positive or negative role depending on the particular variable. Certain aspects of compatibility (significant foreign transactions) and complexity (in terms of applying the new standards to the enterprise's operations and transactions) resulted in a negative and positive effect respectively. In terms of the contribution of the theory of reasoned action, subjective norms (external professional accountant's advice), together with other organisational variables suggested in organisational

theory literature (sponsorship, managerial tenure and work group that discusses changes in accounting standards) positively influence early adoption.

Our findings will be useful for private enterprise managers, as they indicate the important issues they might consider in deciding how to time their adoption of new accounting standards. They also provide important insights for improving this decision-making process. Our study stresses the importance of becoming more informed about newly promulgated standards through various means, such as adequate training and discussions with peers in business and professional networks. It also highlights the importance of establishing work groups within the firm to discuss proposed accounting standards. Even with only a few members, these groups are an effective way to share thoughts and ideas. The relevance of establishing a company policy about when to adopt newly promulgated standards, instituting a system to collect information on costs and benefits arising from the proposed standards, including impacts on financial statement users and managerial compensation, and consulting with external accountants about the appropriate action to take are all useful findings.

This study also has implications for standard setters. First, it stresses the importance of providing sufficient resources so that managers of private businesses can become familiar with the proposed standards. In Canada, the CICA and the provincial institutes have provided considerable materials for professional training and self-learning. Outside of Canada, the IASB's resource material supporting the adoption and implementation of IFRS by SMEs in interested jurisdictions is thus of utmost importance. Standard setters should also strive to conduct field tests with private businesses to help prospective adopters assess the impact (costs and benefits) of the proposed standards, consistent with recent suggestions by the U.K.'s Financial Reporting Council and the European Financial Reporting Advisory Group (EFRAG) to the effect that standard setters should consider the effects of accounting standards in due processes (FRC and EFRAG, 2011). Standard setters should also help establish blogs, webinars and other networks to encourage discussion about proposed standards.

Bankers, venture capitalists and other users of private company financial statements, who deal with financial statements prepared on different bases during transition periods, will be interested

in knowing that managerial tenure, cost-benefit effects and internal policies on the adoption of accounting standards differ among early and late adopters, and that these factors might influence their assessment of the overall risk of their investments.

For academics, our study shows that cost-benefit considerations only partially explain adoption timing. By combining the diffusion of innovation theory and the theory of reasoned action, we were able to highlight the role of knowledge, compatibility, complexity and subjective norms as major determinants of adoption behaviour.

Our study has some limitations that should be considered in the interpretation of our results. First, although part of our sample was randomly selected, the small number of responses prevents us from generalising our findings. Nevertheless, CFOs are known to be very busy people, and our ability to gather the opinions of 120 members of this group on this important topic is a relevant contribution to the literature in itself.

Also, as Nobes (2010) contends, environmental considerations are key factors in the accounting policy choices of private enterprise managers. We conducted our study in Canada, but managers' decisions in other countries might be affected by additional or different considerations. Nevertheless, our study contributes findings that could be investigated in other contexts.

There are several avenues for future research that can contribute to the literature on private enterprise accounting standard issues. First, a similar study could be conducted in other countries that plan to adopt the IFRS for SMEs, or a framework based on this standard. Second, our study provided an overall look at the adoption timing decision of private firms in relation to the new GAAP for private enterprises. Future research could investigate private firms' specific policy choices within a newly adopted accounting framework. Third, case studies could be used to deepen our understanding of the contextual factors behind the timing of their adoption of standards and the rationale behind their accounting policy choices.

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Table 1. Sample's descriptive statistics

Panel A: Means					
Characteristics	N ¹	Minimum	Maximum	Mean	Std. Dev.
Respondent age	114	26	73	48.9 years	9.7
Respondent years of business experience	119	5	53	25.3 years	10.0
Number of employees in enterprise	117	15	11,000	603.5	1243.2
Assets (000 Canadian dollars)	103	1,000	1,940,000	134,177.9	299,620.6
Revenues (000 Canadian dollars)	102	595	3,758,000	179,984.5	460,974.7
Panel B: Frequencies					
Characteristics	N				
Respondent language		English	French		
	120	90	30		
Respondent gender		Men	Women		
	120	94	26		
Respondent accounting professional designation ²		CA or CPA	CMA or CGA	None	
	120	82	33	5	
Enterprise head office		Ontario	Quebec	Other	
	120	42	37	41	
Enterprise external accountant		Big 4	National firm	Local firm	
	120	75	22	23	
Type of assurance		Audit	Review	Compilation	
	120	97	22	1	

¹ Some respondents did not answer all of the questions.

² There were 79 CAs, 3 CPAs, 20 CMAs and 13 CGAs.

Table 2. Model variables' descriptive statistics

Panel A: Means¹					
Variables	Name	Min	Max	Mean	Std. Dev.
Knowledge of new accounting standards ²	Know	1.0	6.0	3.8	1.2
Knowledge through discussions with colleagues in professional/business networks ²	Discol	1.0	7.0	2.7	1.6
Costs of financial statement preparation and assurance under new standards compared with the most recent financial statements prepared under GAAP ³	Costs	1.0	7.0	4.4	0.8
Ln Number of employees in enterprise	LNemplant	2.7	9.3	5.6	1.1
Capital intensity (percentage)	Capint	0.01	0.95	0.29	0.22
Compatibility ²	Compatib	1.6	6.2	3.4	1.0
Complexity – work and learning effort ²	Complex	1.0	7.0	4.0	1.5
Complexity of application ³	Complap	1.0	7.0	4.2	0.7
Sponsorship: Enterprise favours early adoption of newly promulgated standards ²	Earlyadop	1.0	7.0	2.5	1.6
Managerial tenure: Respondent years of experience with enterprise	Entexp	0.2	34.0	10.8 yrs	7.9
Subjective norms: Enterprise external professional accountant advice for timing of adoption of new standards ²	Advacti	1.0	7.0	4.9	1.9
Panel B: Frequencies¹					
Variables	Name				
		-1	0		
Impact on earnings-based compensation	Impbemc	5	101		
		Yes	No		
Exemption fair value when debt contract constraints	Impasdbc	26	80		
Foreign investors or creditors	Foreigni	12	94		
Foreign transactions	Foreignt	51	55		
Enterprise working group that discusses proposed changes in accounting standards	Entwg	14	92		

¹ Descriptive statistics are for the 106 responses taken into account in the logistic regression.

² Variable measured on a Likert-type scale anchored at Not at all (1), Moderately (4) and Extensively (7).

³ Variable measured on a Likert-type scale anchored at Significantly lower (1), Similar (4) and Significantly higher (7).

Table 3. The adoption timing decision**Panel A:** The adoption timing decision (TA)¹

$$TA_i = \beta_0 + \beta_1 (Know_i) + \beta_2 (Discol_i) + \beta_3 (Impbemc_i) + \beta_4 (Exfairdbc_i) + \beta_5 (LNemplent_i) + \beta_6 (Costs_i) + \beta_7 (Foreigni_i) + \beta_8 (Capint_i) + \beta_9 (Compatib_i) + \beta_{10} (Foreignt_i) + \beta_{11} (Complex_i) + \beta_{12} (Complap_i) + \beta_{13} (Earlyadop_i) + \beta_{14} (Entexp_i) + \beta_{15} (Entwg_i) + \beta_{16} (Advacti_i) + \varepsilon_i$$

Variables ²	Expectation	Coefficient β	Odds (Exp β)	<i>p</i> -value ³
β_0	?	-3.154	0.043	0.377
<i>Know</i>	+	-0.905	0.405	0.013
<i>Discol</i>	+	-0.942	0.390	0.006
<i>Impbemc</i>	-	4.870	130.324	0.004
<i>Exfairdbc</i>	+	-0.857	0.425	0.179
<i>LNemplent</i>	+	-0.864	0.421	0.025
<i>Costs</i>	-	-1.959	0.141	0.035
<i>Foreigni</i>	+	1.774	5.897	0.082
<i>Capint</i>	+	2.477	11.908	0.078
<i>Compatib</i>	+	0.223	1.249	0.285
<i>Foreignt</i>	-	-1.969	0.140	0.018
<i>Complex</i>	-	-0.176	0.838	0.251
<i>Complap</i>	-	2.687	14.688	0.007
<i>Earlyadop</i>	+	0.993	2.700	0.001
<i>Entexp</i>	+	0.163	1.178	0.004
<i>Entwg</i>	?	4.750	115.614	0.003
<i>Advacti</i>	?	0.689	1.992	0.006
Test for β_1 to $\beta_{16} = 0$ Chi square = 63.910 <i>p</i> -value < 0.001 Nagelkerke R ² = 0.656				

Panel B: Hits for predicted adoption timing decision

Adoption timing decision	Actual	Hits	Percentage right
2009 or 2010 adoption	29	21	72.4
2011 adoption	<u>77</u>	<u>70</u>	<u>90.9</u>
All	106	91	85.8

¹ One hundred and six responses are taken into account in the logistic regression. The timing of adoption decision (TA) corresponds to the log of the probability of adopting for fiscal year beginning in 2009 or 2010 over the probability of adopting for fiscal year beginning in 2011.

² The variables are defined in Table 2.

³ One-tailed tests are performed for all variables for which there is a directed expectation.