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The Leadership Role of Management Accountants as it Contributes to Innovation and Entrepreneurship in Start-Up Businesses in Southern California

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ABSTRACT

The Leadership Role of Management Accountants as it Contributes to Innovation and Entrepreneurship in Start-Up Businesses in Southern California

by Paula L. Edwards

Purpose: The purpose of this qualitative study was to understand and describe the leadership role of managerial accountants as it contributes to innovation in start-up businesses in Southern California.

Methodology: The methodology used to understand and describe the leadership role of managerial accountants as it contributes to the innovation and entrepreneurship in start-up businesses in Southern California was a qualitative study. The study participants included 12 entrepreneurs who had started a business in the last five years, had utilized a management accountant on a part-time, full-time or consultant basis and are located in the San Diego, Orange, or Los Angeles counties in California.

Findings: A thorough examination of study participants' interviews produced four findings. First, management accountants have a minimal role in innovation in a start-up business. Second, management accountants have a critical role in assisting start-up companies in acquiring funding. Third, management accountants can support the innovation of a start-up business by helping with acquiring funding. Finally, management accountants are needed for financial and non-financial information.

Conclusions: Based on the existing literature and research findings of this study, the researcher drew four conclusions. First, management accountants can improve the entrepreneurship and sustainability of a start-up business. Second, management accountants support entrepreneurs in acquiring funding and necessary capital to support the sustainability of their business. Third, management accountants' professional

network is critical to the entrepreneurial efforts of start-up businesses. Finally, management accountants' focus on financials and positive income are the foundation of their services and imperative to start-up business success.

Recommendations: First, it is recommended that a qualitative study be conducted to explore entrepreneurs' view of management accountants in other parts of California as well as other states. Second, it is recommended that a phenomenological study be conducted to explore and explain the role of management accountants working with business investors. Third, it is recommended that a quantitative study be conducted to examine the differences in the requirements of entrepreneurs in different industries. Finally, other studies could look at the ranking of entrepreneurs' priorities, wants, and needs, in which a management accountant could assist.

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CHAPTER I: INTRODUCTION

Introduction

Worldwide, and especially in developing countries, entrepreneurs generate numerous jobs as well as create wealth for themselves and their countries (Bayrasli, 2012). Throughout the world, entrepreneurs spur growth and development (Gill & Biger, 2012), promote innovation (Adams, 2016) and create employment opportunities (Adams, 2016). However, before an entrepreneur can generate wealth and jobs, they must first overcome many challenges to put their business, and their nation, on a growth trajectory (Bayrasli, 2012). Some of the challenges faced by entrepreneurs include weak government, corrupt government, complicated bureaucracies, and poor regulatory environments (Bayrasli, 2012). Other factors that could impact start-up business success include lack of management skills of the entrepreneur and lack of financing options available (Gill & Biger, 2012).

Successful businesses contribute a lot of money into the national and local economy (Zimmerman, 2016). Conversely, start-up business failure may result in decreased income, loss of jobs, and family separation (Koyagialo, 2016). More specifically, in 2014, in the United States, 20% of the gross job creation was contributed by start-up businesses (Decker, Haltiwanger, Jarmin, & Miranda, 2014). Harrison (2013) commented that companies with fewer than 500 employees are the top suppliers of all new net jobs at 99.7% (Harrison, 2013). With such a high level of job creation, when a start-up business fails, not only does the entrepreneur fail, but the national (and possibly world) economy fails as well.

Although there is a high level of job creation from start-up businesses, there is also a high level of business failure among start-up companies. Survival rates of start-up businesses average approximately 10%—in other words, approximately 90% of all start-up businesses fail (Alsaaty, 2012). Further, firms with fewer than 20 employees comprise approximately 89% of all employer companies in the United States (Alsaaty, 2012).

With start-up businesses having such a large impact on employment and impact on the economy, the high failure rate among start-up businesses is of high concern. Given the importance of start-up businesses, it is important to understand more about why some succeed, why others fail and the strategies that to combat business failure (Zimmerman, 2016). Increased start-up business success rates would facilitate more job creation, increase of money into the economy, and profit sustainability. One of the primary reasons for business failure is the financial aptitude of business owners (Plummer, 2016). Small-business owners have a tendency to be unskilled managers and financially inexperienced (Arthur R. DeThomas, Fredenberger, & Ghosal, 1994). Financial expertise and leadership contribute to the viability and sustainability of a company (Adams, 2016; Becket, 2005; Van Auken, 2013).

Background

Entrepreneurship is the development of a company from setting up the business until it achieves the behavior of a large organization in regard to systems, structures, and processes (Davila, Foster, & Oyon, 2009). Innovation has become a competitive advantage and is related to besieging the benefit of unexpected opportunities, uncertain outputs, the possibility of failure, exceptions, and new relationships (Davila et al., 2009).

While not always the case, accounting is now considered to enable product innovation by reducing uncertainty and enabling development trajectories (Christner & Stromsten, 2015). Essentially, understanding the entrepreneurial leadership role of accountants helps to create and align a vision toward sustainable goals (Dela Cruz, 2016). By going beyond the stereotypical role, an accountant could expand their services to assist small businesses to succeed and thrive (Zimmerman, 2016). Furthermore, by being capable of performing other duties as needed, accountants could foster sustainability among small businesses (Zimmerman, 2016).

History of Entrepreneurship

Entrepreneurship has been around since the beginning of time. There has always been a need for an entrepreneurial spirit to buy, sell, and trade products and services. Even the Bible references business and the entrepreneurial spirit in Genesis, Exodus, Leviticus, Job, James, Nehemiah, Colossian, Job, I Timothy, and Deuteronomy. Entrepreneurship has been illustrated in every century and every part of the world.

In the Middle Ages, entrepreneurship was exemplified when the Papacy operated markets outside abbeys and cathedrals (Casson & Casson, 2014). In the 13^{th} century, the entrepreneurial spirit of Edward I was illustrated as he strategically placed markets to increase the value of property (Casson & Casson, 2014). In the 16^{th} century, significant innovations included land development, agriculture advancements, river navigation, and canal developments (Casson & Casson, 2014). During the 18^{th} century, the entrepreneurial focus shifted from agriculture to a more business emphasis, including import-export (East, 1946). In the early 20^{th} century, when millions of people immigrated to the United States of America, many became, or helped with, entrepreneurs (T. Friedman, L. & Mandelbaum, 2011).

It was during the 20th century that the United States began to be one of the most entrepreneurial, dynamic, and flexible economies of the world (Decker et al., 2014). In 2014, business start-ups accounted for approximately 20% of the gross job creation in the United States (Decker et al., 2014). While each entering group of start-ups accounts for lasting support of job formation (Decker et al., 2014), this level of optimism is often short-lived. Research indicates that approximately 30% of all start-ups fail within two years (Shabaya, 2014), 50% within the first five years (Zehr, 2016), and 70% within ten years (Zimmerman, 2016). Financial support through loans, business incubators, and consultants offer ways to reduce this failure rate (Shabaya, 2014). More specifically, loans can provide the funding needed for a start-up, incubators provide the growth acceleration, and business consultants provide the skills and abilities to support and direct entrepreneurs, which are critical to success.

There are many business consultants that can assist an entrepreneur with their business endeavors, such as marketing, advertising, sales, development, management, and operations. Some of the most important business consultants that can guide and aid an entrepreneur are accountants, specifically management accountants. The purpose of management accounting is to supply relevant, accurate, and timely information to entrepreneurs in a format that will aid the decision-making process. With a broadening service base, management accountants' business advice is beneficial to small businesses (Carey, 2015). By retaining an external management accountant and fostering a close client-advisor relationship, a firm can improve sales growth and survivability (Barbera & Hasso, 2013).

Entrepreneurship in the Global Economy and Government Involvement

At the local, state, and global levels, small firms have a large and fundamental impact on the economy (Lowder, 2009; Saracina, 2012). By creating new systems, technology, and markets, small businesses play a critical role in economic stability, employment, and development (Dela Cruz, 2016). Throughout the world, small business ventures are considered catalysts for growth and development (Gill & Biger, 2012).

As small businesses grow and prosper, more money moves into the local economy (Zimmerman, 2016). Since small businesses are central to the growth of an economy, their development and growth have been an interest of local governments, state and national governments, policymakers and researchers developing a deeper understanding of those things that promote success in small businesses (Robson & Bennett, 2000). Since there are a significant amount of small businesses, they comprise a dynamic form in the information-based economies (Mitchell & Reid, 2000). For example, in the United Kingdom, small businesses comprise over 90% of all businesses and contribute two-thirds of the national employment (Mitchell & Reid, 2000). Socially and economically, small businesses are important not only because they foster innovation, but also because they promote employment (Adams, 2016).

Entrepreneurship in the United States

Throughout history, the United States of America (USA) has long been viewed as the most dynamic, flexible, and entrepreneurial economy in the world (Decker et al., 2014). Entrepreneurial businesses significantly contribute to job creation with 66% of all net new jobs created from small businesses (Plummer, 2016) and between 1980 and 2010, approximately 2.9 million jobs annually can be traced to new companies (Decker et al., 2014). Remarkably, small firms created all the new jobs in the United States in 2004 (Lowder, 2009). In 2016, USA entrepreneurial small businesses employed 49% of the private sector and start-ups accounted for approximately 20% of new job creation (Decker et al., 2014).

Survivability of Start-Ups

Currently, the U.S. economy is becoming less dynamic with a diminishing role in start-up success rates (Decker et al., 2014). The decline impacts entrepreneurs with fewer companies created as labor and capital remain in old industries (Buchanan, 2015). Most start-ups do not make it beyond ten years, and those that do survive usually do not show significant growth (Decker et al., 2014). Of the new businesses started, only approximately 10% will encounter exceptionally high growth and performance (Mitchell & Reid, 2000). While entrepreneurs bring about innovations, they have substantial challenges including their size and lack of longevity, which contribute to making success challenging (Zhang, 2016). The sustainable development of these businesses is necessary to achieve social, environmental, and economic goals to aid longevity (Zhang, 2016).

There are many factors that can contribute to the demise of start-up businesses. One of the factors affecting small-business growth and sustainability is regulatory issues (Gill & Biger, 2012). Many entrepreneurs find the ever-changing state and federal regulations complicated and challenging (Dela Cruz, 2016). In an effort to alleviate this growing problem, Gill and Biger (2012) recommend that federal, state, and local government should consider minimizing regulatory issues that negatively impact small-business ventures, specifically licensing costs, high taxes, and registration fees (Gill & Biger, 2012).

Another factor contributing to the failure of start-up businesses is instituting management tools necessary to facilitate the growth of the company (Davila & Foster, 2005). Agu (2017) contends that a key factor in sustaining fast-track growth for a start-up company is outsourcing a majority of their work. The focus of this study will be the use of external consultants, specifically management accountants, as it relates to the innovation and entrepreneurship of small businesses to sustain growth.

Role of Accountants in Business

One of the primary goals of a start-up business is acquiring the necessary capital to fund their venture. Most, if not all, investors require comprehensive financial statements that reflect not only the historical costs but a projection of revenue and expenses as well. Accurate accounting records decrease the amount of time needed to obtain financing from financial institutions (Adams, 2016). There is a proportionate relationship between the risk of the investment and the use of financial statements by an investor. As the risk of investment in a start-up business rises, there is an increased use of financial statement information from an investor (Falk, 1973).

Outside experts or consultants can help entrepreneurs in many areas needed for the success of their company. Specifically, by outsourcing the accounting function, entrepreneurs can utilize their expertise and decision-making to sustain growth. Many scholars agree that among small-company owners, the most favored business advisor is an accountant (Bennett & Smith, 2002; Gooderham, Tobiassen, Doving, & Nordhaug, 2004; Jarvis, 2012).

Managerial Accounting in Start-Ups

Managerial accounting is a subset of accounting that includes information regarding planning, analysis, decision-making, and activity costs (Breuer, Lesconi Frumusanu, & Manciu, 2013; Mihăilă, 2014). Management accountants merge information regarding projections, capital usage, outputs, and resource allocation into an integrated system of information (Kraten, 2017). Management accounting aids companies to achieve strategic and operational objectives (Bolt-Lee & Swain, 2016). Traditionally management accounting involved decision analysis and budgetary control; now it involves a more strategic approach including using decision-related information from both internal and external data sources (Appelbaum, Kogan, Vasarhelyi, & Yan, 2017).

Since many entrepreneurs do not have a solid financial foundation or awareness, accountants are often hired for solely statutory reasons (Marriott & Marriott, 2000). In a change of view from the traditional role, accountants could increase value by facilitating financial awareness of entrepreneurs and provide management accounting information in an understandable and meaningful way (Marriott & Marriott, 2000). With an increased awareness of the benefits of management accounting, small-business owners will be more willing to pay for their services (Marriott & Marriott, 2000).

Managerial Accounting as it Relates to Innovation and Entrepreneurship

Newly established companies perform an essential role in economic development, job creation, and innovations. With a shift of the traditional view of accounting, a new pattern has been emerging over the last decade, underscoring the significance of accounting in terms of entrepreneurship and innovation (Davila et al., 2009). The financial plans and budgets created by accountants, which were once thought of as benchmarks for managers to reach, are now being used to encourage people to foresee future opportunities, identify new trends, and adopt new strategies (Davila et al., 2009).

Statement of the Research Problem

The particular business problem with many small-business owners is the financial expertise needed to sustain business growth (Zimmerman, 2016). A problem exists when small-business owners commence initiatives with inadequate financial information (Adams, 2016). Drexler (2014) contends that entrepreneurs need to make many financial choices and may be inadequately prepared to make such critical decisions (Drexler, Fischer, & Schoar, 2014). If a company does not have an accurate accounting system and financial expertise and guidance, they are unable to make sound financial decisions that will impact the survivability and sustainability of their business. By not keeping adequate business records, owners cannot determine if the business is growing or not (Olukotun, James, & Olore, 2012). The issue of unavailable, inaccurate, or inappropriate information can most often be related to insufficiencies in a company's accounting information system (Arthur R. DeThomas et al., 1994).

Small-business owners require more information about their organization, especially accurate financial analysis and reports (Boyle & Desai, 1991). Accounting information provides both external and internal information needed for decision-making (Breuer et al., 2013). The external component includes financial reporting for third parties and the internal component for enterprise management (Breuer et al., 2013). In accounting, when financial output is designed to meet the external reporting needs and then molded to a traditional cost accounting/variance analysis system for internal purposes, the accounting information system can be deemed useless (Arthur R. DeThomas et al., 1994). If the cost and financial performance of the business' core activities are not measured correctly, the information needed to monitor and plan effectively cannot be adequately assessed (Arthur R. DeThomas et al., 1994).

In 1999, venture capitalists invested $35.6 billion (according to Price Waterhouse Coopers LLP) into start-up companies (Donnelly, 2000). Since venture capital investors put their invested funds at risk, they take steps to control their risk by making effective and straightforward demands on the investee for regular information, specifically accounting information (Mitchell, Reid, & Terry, 1997). When problems exist, venture capital investors want more information on a more regular basis (Mitchell et al., 1997).

For many entrepreneurs, the definition of success includes maintaining a lifestyle with a comfortable income (Beaver, 2003). In most cases, little attention is given to executive salaries or lifestyle unless the fiscal management or profitability of the company comes into question. To avoid financial risk, business owners often need help with strategic issues such as pro-forma financial analysis, market research, business plans, and feasibility studies (Harris & Gibson, 2006). Berryman (1983) asserts that the owners/managers who need business advice the most are the ones least likely to seek advice (Berryman, 1993). Through entrepreneurship education, there is an increased chance of survivability (Stokes & Blackburn, 2002).

Small businesses should focus on internal analysis and control and strategic planning to decrease the rate of failure (Boyle & Desai, 1991). A majority of start-ups fail due to inadequate financial control and are not knowledgeable about money and too proud or short-sighted to ask for help (Becket, 2005). If business leaders continue to believe that failure is just a large part of starting a business, there will never be a clear understanding of the larger question of whether outside consultants, specifically managerial accountants, can help increase the success rate of start-up businesses. Without knowing these answers, or exploring them, the current cyclical system of start-ups failing over and over will likely persist. Without a clear understanding of the role of managerial accountants and their importance to start-up businesses it is likely that the cyclical nature of business failures will continue.

Purpose Statement

The purpose of this qualitative study was to understand and describe the leadership role of managerial accountants as it contributes to innovation and entrepreneurship in start-up businesses in Southern California.

Research Questions

1 – What is the leadership role of managerial accountants as it contributes to innovation in start-up businesses in Southern California?

2 – What is the leadership role of managerial accountants as it contributes to entrepreneurship in start-up businesses in Southern California?

3 – What are effective strategies that managerial accountants use to support innovation in start-up businesses in Southern California?

4 – What are effective strategies that managerial accountants use to support entrepreneurship in start-up businesses in Southern California?

Significance of the Problem

The USA has had a long-standing reputation of having the world's most flexible and entrepreneurial economy (Decker et al., 2014). Over the past decade, this reputation has become less dynamic as business start-up success rates are decreasing and the quantity of young businesses is declining (Decker et al., 2014). Start-up businesses are essential to the USA economy as they employ 49% of the labor force and represent 99% of employer firms (Zehr, 2016).

While small business contributes to the economy by providing services, products, and revenue, only 30% will continue after ten years, and 50% will fail within the first five years (Zimmerman, 2016). While incubators, consulting, and loans aid in reducing failure rates, there is not much research on when entrepreneurs should seek external expertise (Shabaya, 2014). Barbera and Hasso (2013) contend that having an embedded accountant with a firm not only increases the chance of survivability but also increases sales growth as well (Barbera & Hasso, 2013).

The purpose of this research was to explore the role of managerial accountants, who can not only help owners with start-up business accounting requirements but also contribute leadership and guidance to help the success rate of start-up businesses. This study could help entrepreneurs to understand when, and how, to seek external consultants, specifically managerial accountants. Additionally, this research could help entrepreneurs utilize managerial accountants to foster growth, innovation, entrepreneurship, goal-setting, and many other valuable tools to succeed in business.

The results of this study may provide new insights into the specialized training that managerial accountants require in meeting the specific leadership, financial, and entrepreneurial needs of new businesses. This kind of training could include leadership training, innovation, communication, and specific entrepreneurial issues such as investment funding, Angel investing requirements, credit acquisition and reporting, and cash flow management. The quality of the owner/accountant relationship is an important aspect of the degree to which small companies use accountants as business advisers (Gooderham et al., 2004). Working together, managerial accountants and entrepreneurs could form a great partnership of guidance, leadership, and financial strength.

Definitions

Accounting: an information system that communicates, records, and classifies comparable, pertinent, and dependable information of a company's business endeavors (Wild, Chiappetta, & Shaw, 2009)

Entrepreneur: a person who demonstrates innovative behavior and employs strategic management practices in establishing and managing a business for the main goal of growth and profit (Carland, 1984)

Entrepreneurship: the discovery and development of rewarding opportunities by a person who established a new organization (Shane & Venkataraman, 2000)

Financial Accounting: an area of accounting that provides accounting information (such as financial statements), that can be used for a broad range of purposes, to those outside an organization such as lenders, shareholders, suppliers, etc. (Wild et al., 2009)

Innovation: the transformation of ideas into new or improved products and services to differentiate companies in the marketplace (Baregheh, Rowley, & Sambrook, 2009)

Managerial Accounting: an area of accounting that supplies accounting information for decision-making to those within an organization such as production managers, marketing managers, etc. (Wild et al., 2009). This type of accounting reporting is not subject to the same rules and guidelines as financial accounting and thus is tailored to the unique needs of those within the company (Wild et al., 2009)

Medium Firm: a firm with fewer than 200 employees (Carey, 2015)

Micro-firm: a business that employs fewer than 20 employees (Alsaaty, 2012)

Small Business: a small business that employs fewer than 49 employees (Carey, 2015)

Start-Up or Start-Up Business: a small or medium company that has been in existence for five years or less

Delimitations

A delimitation of a study is a systematic bias that was intentional and controllable (Price & Murnan, 2004). This study was delimited to small start-up businesses located in Southern California in existence for less than five years. Findings can only be generalized to Southern California entrepreneurs or those businesses in existence for less than five years within the same geographic demographics and economics as Southern California.

Organization of the Study

This chapter included a historical foundation of entrepreneurship to understand the changing dynamic of this industry. Through a historical perspective, the current system and dynamic can be better understood and built upon. In other words, by understanding the pioneers of yesteryear, we can help forge the foundation and development of future innovators. Chapter I of this paper includes the introduction and background of entrepreneurship, management accountants, and the importance of managerial accountants in entrepreneurial business ventures to help forge the foundation for the remainder of the paper. Chapter II includes a literature review for a scholarly foundation of entrepreneurial history, influence on economic development, start-up success rates, and the importance of management accounting for young, growing businesses. Chapter III covers the methodology of this study, in particular, the purpose statement, research questions, research method, design, population, sample, instrumentation, data collection, and data analysis. Chapter IV includes research methods, data collected, population, sample, and findings. Lastly, Chapter V covers major findings, unexpected findings, conclusions, recommendations for further research, and reflections.

CHAPTER II: LITERATURE REVIEW

Introduction

With a high failure rate among start-up businesses, many people look to find ways to increase success rates and growth of new ventures. One way to increase success rates may be in the financial skills and knowledge of entrepreneurs and their willingness to integrate external consultants, specifically managerial accountants, into their organizations. This chapter reviews relevant literature that examines the leadership role of managerial accountants in relation to innovation and entrepreneurship in start-up businesses. This review will explore the role of entrepreneurship in the United States and its impact on the economy as well as the function of managerial accountants in start-up businesses.

This literature review consists of five sections. The first section, Background, highlights the importance of entrepreneurship to the economy of a nation and in the world. The second section, Start-Up Businesses, explores the history of start-ups, success/failure rates of start-ups, and the advisor/leadership roles needed in start-ups. The third section covers start-up businesses and the role that accountants play in those enterprises. This section looks at the financial aptitude of entrepreneurs, the role of accountants and the role of managerial accountants in start-up businesses. The fourth section reviews the subject of management accounting and its role in innovation and leadership in start-up businesses. The last section, Gap in Research, identifies the gap in research as it relates to entrepreneurship and accounting. The gap in research highlights three main areas: accounting education gaps, reasons for failure and exit strategies, and the role of accountants in start-ups.

Background

While many people want to pursue their dreams of owning their own business and the wealth that it might bestow, they often fail to recognize the immense time, resources, and knowledge that are needed. Among entrepreneurs and their start-up businesses, there is an enormous failure rate (Becket, 2005). However, many still become entrepreneurs for independence, financial rewards, optimism, and high achievement drive (Elkhouly & Mohamed, 2015) as well as courage, strength, social consciousness, and perseverance (Davis, 2015). Many times, entrepreneurs lose focus (or never had focus) on the financial side of the business as they were more focused on generating sales and growing their business. By looking at external consultants, specifically managerial accountants, entrepreneurs could seek guidance, expertise, leadership, and innovation needed to grow their business successfully.

Statistically, most start-ups do not make it beyond ten years, and those that do survive usually remain small in size (Decker et al., 2014). Only about 10% of new businesses will encounter unusually high performance and growth (Mitchell & Reid, 2000). Approximately 30% of all start-ups fail within two years (Shabaya, 2014), 50% within the first five years (Zehr, 2016), and 70% within the first decade (Zimmerman, 2016). While there are many factors that impact the success of start-ups, there is a need to research causes of failure (Berryman, 1993) and ways in which to combat such astronomical failure rates. There is also a need to look at ways in which external consultants, specifically managerial accountants, can aid in the success rates of start-ups. Therefore, this literature review background section will examine the impact of small businesses on the economy and job creation, the characteristics and requirements of entrepreneurs and the reasons for business failure. This literature review will conclude with how external consultants, specifically management accountants, can help increase the success rates of start-up businesses.

Many authors have differing opinions on the definitions of micro-, small-, and medium-sized firms, and how many employees they employ. For purposes of this paper, the definition of a micro firm is a business that employs fewer than 20 employees (Alsaaty, 2012), a small business employs fewer than 49 employees (Carey, 2015), and a medium firm employs fewer than 200 employees (Carey, 2015). For purposes of this research, a start-up business is a small or medium company that has been in existence for five years or less.

Role of Entrepreneurship in the World and Economic Growth

With a large influx of start-up companies every year, small businesses play a critical role in economic stability, employment, and development, including creating new systems, technology, and markets (Dela Cruz, 2016). With such a significant number of small businesses, they comprise a dynamic cohort in the information-based economies (Mitchell & Reid, 2000). For instance, in the United Kingdom, over 90% of the business population is comprised of small businesses, which contribute to two-thirds of the national employment (Mitchell & Reid, 2000). Of the 1 million businesses in Canada, 78% employ fewer than 5 people, and 97% employ fewer than 50 people (Gill & Biger, 2012). Similarly, of the 26 million firms in the United States, approximately 97.5% are small businesses and employ roughly 90% of the population (Cardon, Shinnar, Eisenman, & Rogoff, 2008).

Throughout the world, small businesses contribute to the general health and welfare of economies (Nwobu, Faboyede, & Onwuelingo, 2015). Entrepreneurial firms make a profound impact on market economies in both developed and developing nations (Bullough & Renko, 2013; Elmuti, Khoury, & Omran, 2012; Halabi, Barrett, & Dyt, 2010; Nwobu et al., 2015). Not surprisingly, small businesses are an integral part of the success of a national economy (Harris, Grubb Iii, & Hebert, 2005) and amount to a substantial economic social force (Alsaaty, 2012). Even though there are many barriers to entry and the survival rates are minimal, small businesses are considered facilitators of development and growth (Gill & Biger, 2012) which has a profound impact on output of services and goods, wealth creation, and the creation of new jobs (Lowder, 2009). While not big in size, small firms have a large impact on the economy at the local, state, and global level (Lowder, 2009; Saracina, 2012).

With a growing acknowledgment of the significant role that small and medium enterprises have in economic development (Carsamer, 2012), using continued entrepreneurship-building activities focused on promising high growth, business leaders can impact the behavioral growth beneficial for economic growth (Bullough & Renko, 2013). Since small businesses are central to the growth of an economy, their development and growth have been an area of interest for researchers, government, and policymakers (Robson & Bennett, 2000). While there are many factors that affect small business growth, the main reasons for lack of growth include a lack of management skills, shortage of financing options, and market challenges, constrictive regulatory issues, and infrastructure of a country (Gill & Biger, 2012). Successful economies rely upon companies to be competitive, productive, and innovative (Beaver, 2003). As small businesses develop and realize sustainable practices, more money could move into the local economy (Zimmerman, 2016). In contrast, small-business failure results in loss of jobs, family uproot, and loss of income (Koyagialo, 2016). Further, corrupt governments can hinder growth, planning, and ambition for a start-up business as entrepreneurs can become engaged in illegal and unethical practices whether by opportunity or necessity (Vorley & Williams, 2016).

Governments can aid small and medium enterprises in growth and survival by creating policies, facilitating the formation of new businesses, and giving advice and support (Robson & Bennett, 2000). The association between innovation and entrepreneurship has resulted in many states, nations, and regions adopting policies to stimulate economic growth (Autio, Kenney, Mustar, Siegel, & Wright, 2014). Conversely, Dela Cruz (2016) asserts that the ever-changing and complicated revisions to state regulations can be a challenge for entrepreneurs (Dela Cruz, 2016). While most entrepreneurs are focused on growing their business, changing regulatory issues distract from their focus and expend time and resources toward a different focus. This re-focus requires time and financial resources that are an expense, do not generate revenue and distract from the core focus of the business.

One of the factors affecting small-business growth is regulatory issues, high registration fees, licensing fees, and taxes (Gill & Biger, 2012). For instance, with the advent of the Affordable Care Act in the United States, employers with more than 50 employees are required to provide health insurance to all full-time employees, which created a financial hardship for many companies. Similarly, business licenses and taxes may impact the location of a business and, thus, the jobs in that area. As an example, in the city of Santa Monica, California, businesses are taxed on the gross receipts of a business, whereas in Lake Forest, California, 60 miles south of Santa Monica, there are no business license fees. While many large companies in Lake Forest such as Kawasaki, Oakley, Asics, Panasonic, and Alcon, take advantage of such benefits, smaller companies also flock to such areas to avoid the business license fees. Gill and Biger (2012) recommend that federal, state, and local government should minimize regulatory issues negatively impacting small businesses such as prohibitive taxes, licensing and registration fees (Gill & Biger, 2012).

Role of Entrepreneurship in Job Creation

Socially and economically, small businesses are important, not only because they foster innovation, but also because they promote employment (Adams, 2016). In the United States, small businesses not only contribute to the economy but also lead to a rapid rise in wealth and number of jobs (Koyagialo, 2016). During his presidency, Barack Obama often referred to small businesses as the backbone of the economy. In 2014, business start-ups accounted for approximately 20% of the gross job creation in the United States (Decker et al., 2014). Further, each entering group of start-ups accounts for lasting support of job formation (Decker et al., 2014). In a 2013 article "Who Actually Creates Jobs: Start-Ups, Small Businesses or Big Corporations?", J.D. Harrison contends that those employers with fewer than 500 employees are the top job creators with 99.7% of all new net jobs (Harrison, 2013).

The small percentage of start-ups that not only survive, but thrive, have substantially contributed to job creation (Adams, 2016; Decker et al., 2014). For the past 50 years, there has been an increase in the number of jobs created by small businesses.

For example, since the 1970s, 66% of all net new jobs created have been from small businesses (Plummer, 2016). Between 1980 and 2010, approximately 2.9 million jobs annually can be traced to new companies (Decker et al., 2014). More notably, in 2004, small firms created all the new jobs in the United States (Lowder, 2009). Since 2006, there was massive growth in entrepreneurial endeavors, which generated employment and economic stability (Dela Cruz, 2016). In 2016, U.S. entrepreneurial small businesses employed 49% of the private sector and accounted for 99% of employer firms (Zehr, 2016). Small businesses employ nearly 55% of people working (Plummer, 2016) and start-ups account for approximately 20% of new job creation (Decker et al., 2014). Micro firms, defined as businesses that employ fewer than 20 people, represent approximately 89% of all employer companies in the United States (Alsaaty, 2012).

Start-Up Businesses

Entrepreneurship is the development of a company from setting up the business until it achieves the behavior of a large organization in regard to systems, structures, and processes (Davila et al., 2009). Carsamer (2012) defines entrepreneurship as the ability to create a business in which a person is self-employed for the goal of making a living and meeting people's needs (Carsamer, 2012). The following literature review summarizes the history of entrepreneurship to provide a synopsis of the origins of small business start-ups and how it has changed, or not changed, over time. This section also includes a summary of the literature on the success and failure rates of start-ups and the advisor/leadership roles needed in start-up ventures.

History of Start-Up Businesses

The entrepreneurial spirit has been around since the dawn of humanity. People have always needed to buy, sell, and trade products and services to help each other. Even the Bible references the entrepreneurial spirit in stories such as those of Abraham and Solomon. In Proverbs, the Bible reads: "she considers a field and buys it; out of her earnings she plans a vineyard. She sets about her work vigorously; her arms are strong for her tasks. She sees that her trading is profitable, and her lamp does not go out at night" (New International Version Bible, Proverbs 31: 16-18) (*Bible - New International Version*, 2011). Since then, some notable entrepreneurs have included the papacy dating back to the Middle Ages, when they operated markets outside abbeys and cathedrals (Casson & Casson, 2014).

In the 13th century, Edward I exhibited entrepreneurship by establishing market locations in strategic areas to increase the value of property (Casson & Casson, 2014). The Cistercian order of the Roman Catholic Church invented large-scale sheep-farming, which enabled them to source high-quality wool for a substantial price (Casson & Casson, 2014). Mainly precipitated by the Hundred Years' War, the 14th century provided an entrepreneurial opportunity for innovation and judgment to combat the risks of having a small business and dealing with monarchies that had already proved to have financial mismanagement issues (Casson & Casson, 2014). In the 16th century, significant innovations were made in agriculture with land enclosures and enlargements of farms and estates, which reduced food costs, increased the food supply, and expanded the population (Casson & Casson, 2014). Canals and river navigations were also systematically sanctioned, which aided in the bulk transportation of coal, clay, and salt to factories and the efficient distribution of finished products to to market (Casson & Casson, 2014).

During the mercantile period, between 1500 – 1800, businesses focused on international, national, and local needs (Eberstadt, 1973). During this period, entrepreneurs were those who had a broad import-export business, unspecialized and widely focused (East, 1946). After this time, the Industrial period, 1800 – 1930, fostered new ideas about business and the “business-man” (East, 1946). Religious leaders even weighed in on this change and regarded entrepreneurs’ wealth as a sign of moral excellence (East, 1946).

In the early 1900s, when over a million people immigrated to the United States, America became a great industrial power by capitalizing on the influx of people to aid, and even become, entrepreneurs (T. Friedman, L. & Mandelbaum, 2011). Since then, the United States has been viewed as the most entrepreneurial, flexible and dynamic economy in the world (Decker et al., 2014). From 1990 to 2007, there was a 19% increase in the number of firms established in the United States, increasing from 4.5 million in 1990 to 5.4 million in 2007 (Alsaaty, 2012). With such economic policy as the Small Business Act of 1953, the United States has sought to encourage and support domestic entrepreneurship (Litwin & Phan, 2013). The Small Business Act exemplified the importance of small businesses’ success to the economy (Koyagialo, 2016). In the United States economy, small businesses significantly contribute to job creation and wealth (Koyagialo, 2016). Some of the most notable entrepreneurs of today include Steve Jobs (Apple), Mark Zuckerberg (Facebook), Howard Schultz (Starbucks), and Sam Walton (Wal-Mart).

Success/Failure Rates of Start-ups

For many entrepreneurs, the term "success" cannot be precisely defined because it might be different things to different people. For example, one person might define "success" as making their first million dollars in revenue, or another might define "success" as having enough clients to sustain a certain lifestyle, or perhaps another definition might include getting the business to a point where they are comfortable selling it for a certain price. Others may see success simply as not going bankrupt.

Even with such varying views of success, one thing is definite: there are certain qualities and characteristics of entrepreneurs that assist in improving the odds of survival for a start-up business. A few of the attributes contributing to success for both service and non-service firms include resources such as high levels of start-up capital, work and life experiences, and education (Coleman, Cotei, & Farhat, 2013). Another attribute is that many successful entrepreneurs have training in their specific industries or continue business training as they move forward (Carsamer, 2012). The survival rates of new start-up businesses average 10% (Alsaaty, 2012). In other words, at any given moment, the probability of a new business venture to exit the market exceeds 90% (Alsaaty, 2012).

While many could argue the definition of success, the definition of failure can also be argued just as easily. For instance, some entrepreneurs find that even if their business might have gone bankrupt, or ceased operations, they did not "fail" because they learned invaluable lessons for their next start-up venture. Others term failure as not growing to the point of sales, volume, or growth that they dreamt about from the start. With that said, there are far more attributes that contribute to entrepreneurial failure.

Some of the most notable reasons for failure include problems with financial management, goal-setting, business knowledge, and sheer size.

Entrepreneurs have many things to think about as they venture into a new world of business ownership; the agenda of small businesses includes attention to cost reduction, profit maximization, sales revenue generation, market share acquisition, product innovation and management development, all of which are difficult to manage and are risky (Beaver, 2003). In spite of an entrepreneur's initial motivations and technical prowess, business-related aptitude is a critical trait of a business owner (Plummer, 2016). While many entrepreneurs appreciate the changeability of new endeavors, they often fail to institute management tools necessary to facilitate the growth of the company (Davila & Foster, 2005). Small businesses are notorious for having financially inexperienced or unskilled management (Arthur R. DeThomas et al., 1994). Take the following made-up example of a rice farmer with years of rice-farming experience. He decides to go out on his own, buys a piece of land, and begins his business. He could have all the experience in the world; he could have people helping him with his farm; he could get his product to market more efficiently and effectively than anyone else. In spite of this, without the financial knowledge and ability, his business will fail quickly, not because he is not a good farmer, but because he could not effectively handle his financial management.

Running a start-up business does not only mean being an expert in a certain field, or having the next big idea; it means effectively managing each aspect of the business including sales, marketing, research and development, accounting, finance, human resources, and administration. Zehr (2016) contends that many businesses fail due to the managerial inadequacies of the business owners (Zehr, 2016). For a myriad of reasons, small businesses are wedged out of the market in considerable numbers each year (Alsaaty, 2012). One of the main challenges of entrepreneurs is their attention to the accounting and finances of the business as they are focused on increasing their market share, not necessarily the books and records. As noted by Adams (2016), small-business owners do not have the financial knowledge to reach important financial decisions (Adams, 2016).

Since financial information and knowledge is critical to understand; without proper financial and accounting understanding, companies perform at a suboptimal level (Adams, 2016). When decisions are made based on accounting activity, the financial analysis success is dependent on the business owner or an outside accountant (Adams, 2016). By developing technical skills and knowledge, small-business owners have the chance to become valued leaders as they can make solid financial business decisions (Adams, 2016).

Owners who are not confident in financial interpretation skills tend to own firms with lower revenues than owners with higher comfort levels in the interpretation of financial statements (Carraher & Van Auken, 2013). Being confident in interpreting financial statements communicates a level of knowledge significance of financial statement information and understanding of its content (Carraher & Van Auken, 2013). When used effectively for decision-making, financial statements can improve financial management as well as increase viability of the company (Van Auken, 2013).

A lack of financial prowess may mean that an entrepreneur does not foresee the imminent demise of a company. Business founders may not have the skills or desire to increase their financial knowledge to the point at which they could ascertain signs of financial distress (Plummer, 2016). Small businesses may fail when business owners do not have the financial literacy to plan and control their liabilities and assets (Adams, 2016). Financial literacy can be defined as having the confidence, skills, and knowledge to make sensible financial decisions such as debt financing, budgeting, investing, and many other impactful choices (Altman, 2012). The financial environment and knowledge thereof is an integral element of a business's success (Adams, 2016). According to accountants, a majority of start-up businesses fail due to insufficient financial control (Becket, 2005).

Advisor/Leadership Roles of Accountants Needed in Start-Ups

Many theorists of leadership have attempted to identify those that have the potential to lead and to define what creates a good leader (Adams, 2016). For example, White, Harvey, and Fox (2008) contend that successful leaders possess political intelligence, vision, management skill and effective human relations (White, Harvey, & Fox, 2008). Moua (2010) comments that culturally intelligent leaders are tactical in arranging the people of an organization with the culture of the establishment (Moua, 2010). McKee, Johnston, and Boyatzis (2008) explain that resonant leaders are unfaltering in their devotion to their personal values; they live and lead with optimism, and are in tune with themselves as well as the needs, dreams, and desires of the people they lead (McKee, Johnston, & Boyatzis, 2008). Schwarz defines a facilitative leader as one who assists others with learning how to learn, helps groups and individuals in developing their capacity to consider and improve the way they work (Schwarz, 2002). Iqbal adds that transformational leadership is based on trust and commitment, is inspirationally linked to the organizational change process, and improves motivation and performance of employees to achieve goals (Iqbal, 2016). Renko, Tarabishy, Carsrud and Brannback (2015) define entrepreneurial leadership as motivating and guiding group members' performance in the direction of achieving organizational goals by acknowledging and developing entrepreneurial opportunities (Renko, El Tarabishy, Carsrud, & Braennback, 2015). Gupta, McMillan, and Surie define entrepreneurial leadership as creating a vision so that others will join in and be committed to the discovering and development of the strategic value creation (Gupta, MacMillan, & Surie, 2002). While there might be varying definitions of leadership, they all have a profound effect on an employee's performance, commitment and organizational citizenship behavior (Iqbal, 2016).

Entrepreneurs are leaders of not only their organization but of the marketplace as well. They are pioneers of their business and their entrance into the marketplace. As a leader, they can prevent or pull back their organizations from disaster, their values and ethics are at the forefront of their company, they challenge the status quo, and they have the ability to transform their organization and the world. Furthermore, although entrepreneurs are strong leaders, they also need strong leaders to help run their business, specifically in the fields of management, sales, and accounting.

Specifically, in the area of accounting, accountants are no longer viewed as mere bookkeepers but as financial advisors and leaders to companies. Accountants are no longer viewed as "bean counters"; now they are financial advisors that provide insightful information, are a resource in decision-making and are leaders in an organization (Siegel, 2000). Entrepreneurs should seek advice from accounting firms not only for traditional accounting requirements but also in strategic planning, business forecasting, organizational changes, and other business needs (Banham & He, 2014).

The function of managerial accounting has been consistently expanding (Marius, Denisa, & Florina, 2012). Historically, managerial accounting consisted primarily of calculating costs; today the function and role of managerial accounting have expanded to include providing leadership and information regarding the impact of the expenditures and the results (Marius et al., 2012). Further, management accountants also are proactively involved in areas such as strategy, information systems implementation, and change management, which was previously not part of their duties (Burns & Vaivio, 2001). The leadership role of management accountants includes educating and guiding others in understanding accounting to reach the organization's strategic goals (Fory, 2014). With their technical financial knowledge, management accountants should apply their leadership potential to be incorporated into the management team (Shuttleworth, 2014). Management accountants must be leaders and help guide the company to reach strategic goals, and they need to learn to teach so they can lead (Fory, 2014)

Start-Up Businesses and the Role of Accountants

There are two types of entrepreneurs and each has differing objectives and goals. While each entrepreneur has clearly defined goals and objectives, the main thrust is different; one remains constant and the other grows. Schoar (2010) describes two types of entrepreneurs: subsistence and transformational (Schoar, 2009). Subsistence entrepreneurs are self-employed to provide a sustenance income while transformational entrepreneurs create a sizable, radiant business that surpasses mere subsistence (Schoar, 2009).

Schoar (2010) describes subsistence entrepreneurs as those who only want to be self-employed and do not want to hire any employees. In developing countries, such as India and China, these people choose this lifestyle as an alternative employment opportunity (Schoar, 2009). In the United States, many people term this type of worker an "independent contractor" rather than an "employee." In other words, independent contractors are not employed by a company and must adhere to a different set of tax regulations. Recently, FedEx had to pay out $228 million for misclassifying drivers as independent contractors as opposed to employees (Wood, 2015). In 2000, Microsoft agreed to pay $97 million to settle an eight-year-old class-action lawsuit by employees that were deemed independent contractors but had job functions and requirements similar to those of full-time employees (Greenhouse, 2000).

Alternatively, the transformational entrepreneur looks to build a larger business that will expand quickly in the right circumstances (Schoar, 2009). These individuals are not just in business for themselves but are looking to expand their operations and employ others. Transformational entrepreneurship is risky and is driven by business opportunities as they look to expand and venture into new markets. While entrepreneurs bring about innovations, they have significant challenges, including smallness and newness, which makes success difficult and the chances of survival minuscule (Zhang, 2016). The sustainable development of their business is necessary to achieve social, environmental, and economic goals to aid with survivability (Zhang, 2016). The focus of this paper is on the transformational entrepreneur.

Financial Aptitude of the Entrepreneur

From inception, entrepreneurs often lack numerous needed resources such as accounting, legal, insurance, and financial advice (Dyer & Ross, 2008). In the uncertain and competitive environment of business start-ups, successful entrepreneurs create their business goals and must make wise company decisions (Ayala & Manzano, 2014). Reliable financial information is critical for decision-making, as is the ability to understand and decipher financial statements (Van Auken, 2013). For instance, if an entrepreneur does not understand the financial statements prepared for their company, they cannot make educated decisions regarding costs, strategy, and goals. If they do not understand the financial implications of their decisions, it could prove costly and lethal. Take, for instance, the entrepreneur looking for start-up money from investors. Entrepreneurs look at investors to help with start-up capital funds and must provide readily available financial information such as product costs, profit, and sales. Without such basic knowledge regarding the product and the costs thereof, financiers are not willing to invest their money.

As the risk of investment in a start-up business rises, there is an increased use of financial statement information from an investor (Falk, 1973). In other words, the higher the amount of money invested in a company, the more financial information is wanted by an investor. Investors need assurance that their investment is going towards the intended goals and objectives. Cassar (2009) concluded that the frequency of financial statement preparation had a positive relationship to the utilization of outside funding, the level of anticipated sales, and level of competition (Cassar, 2009). Financial projections and forecasts aid to dissipate the uncertainty of the future by developing predictions that can help evaluate future performance (Cassar, 2009). Without accurate accounting records, the amount of time needed to obtain financing from financial institutions is significantly decreased or eliminated (Adams, 2016). Thus, accountants are a trusted business advisor to entrepreneurs in regard to small-business sustainability (Shabaya, 2014).

Many small-business owners may not have the financial expertise and accounting strategies needed to maintain growth over time (Zimmerman, 2016). If the financial reporting can be communicated in an understandable manner, and used effectively by the owner/manager, then an accountant can add value to the company (Marriott & Marriott, 2000). Outsourcing the accounting/bookkeeping function expands the knowledge base and thus improves the decision-making process (Zimmerman, 2016). In other words, having someone other than the entrepreneur record and prepare financial information and statements can be helpful to the entrepreneur. Not only does this mean that the entrepreneur does not have to spend their time preparing the financial information, but it also means that they can understand and learn about the financial reporting from the accountant.

It is therefore not surprising that among small company owners, the most favored business advisor is the accountant (Bennett & Smith, 2002; Gooderham et al., 2004; Jarvis, 2012; Shabaya, 2014). Accountants provide technical and advisory support to enterprises, which includes financing, management, record-keeping, personal and business fund management, regulation, business performance and compliance (Nwobu et al., 2015). Accountants advise and guide business owners in the proper calculation of profit, help set goals and objectives, and provide accountability (Nwobu et al., 2015). Accountants can help with many of the challenges facing entrepreneurs such as budgeting, lack of credit financing, record-keeping, and co-mingling of personal and business funds. For instance, accountants can provide detailed budget analysis that can include financial statement information, forecasted figures, and a comparison of the two. Accountants can also assist entrepreneurs in acquiring financing by providing needed financial documentation for loan applications.

A problem with small and medium enterprises is when the owner/manager does not understand the data and figures given to them by an external accountant that are integral for decision-making purposes and control (Husin & Ibrahim, 2014). In a study by Halabi, Barrett, and Dyt (2010), half of the firms surveyed responded that accounting reports were not generated or used because management did not understand them (Halabi et al., 2010). With the inability to read or understand the accounting language, terms, and conventions, the accounting reports were problematic for many (Halabi et al., 2010). If small-business owners do not have the financial aptitude to understand financial information, they may not fully understand their financial options (Adams, 2016). In a study by Samkin (2014), many small-business owners do not believe they have a solid understanding of financial statements and small business finances (Samkin, Pitu, & Low, 2014). Conversely, those that had studied accounting were confident that the financial side of their business was being operated properly (Samkin et al., 2014).

Financial statements provide stakeholders and business owners with significant data (Van Auken, 2013). However, if they do not know how to understand, interpret, and use the financial information, they are unable to make sound business decisions (Van Auken, 2013). Further, many small-business owners lack financial knowledge and skills and thus may not fully understand the impact of their decisions (Van Auken, 2013). By adopting a suitable accounting strategy, business practices can improve the business success rate (Adams, 2016).

Role of Accountant

From inception, a lawyer and accountant are key advisors in the proper formation of the company (Adams, 2016). Initially, one of the first decisions that an entrepreneur must make is which form of ownership for their new company. Forming a company as a sole proprietor, partnership, S-Corporation, or C-Corporation, is an integral piece of a start-up's formation process (Adams, 2016). Understanding which business entity to form is often a discussion between the lawyer, accountant, and entrepreneur. In every form of business, entrepreneurs need to have an accounting system (Saracina, 2012).

Once formed and started, many small-business owners do not maintain the proper accounting records for tax purposes (Adams, 2016). The advent of computerized accounting software packages, such as QuickBooks, has helped aid small-business owners in maintaining accounting records (Adams, 2016). Accounting information plays an integral role in performance evaluation and decision making (Cassar, 2009). While financial statements assist owners and stakeholders with strategic planning and decision making, without proper knowledge, understanding, and comfort level in using financial statements, owners may not be able to use information effectively (Carraher & Van Auken, 2013). Adams (2016) contends that start-ups often fail due to suboptimal accounting strategies that foster business success (Adams, 2016).

Since most entrepreneurs do not have an extensive accounting background, they must retain the services of those that can help with their accounting needs and requirements. By retaining an external management accountant and fostering a close client-advisor relationship, sales growth and survivability are improved (Barbera & Hasso, 2013). Without the proper financial knowledge or assistance from an accountant, small-business owners may be face criminal charges of fraud (Adams, 2016). When an external accountant is internalized or embedded, into a company, they can become a competitive advantage source and a valued resource (Barbera & Hasso, 2013). Barbera & Hasso (2013) assert that with a proper strategic planning process and embedded accountant, external accounting usage can have a positive impact on sales growth (Barbera & Hasso, 2013). Specifically, an external accountant can increase sales growth by 8.1% and decrease the failure rate of the company by 29% (Barbera & Hasso, 2013). An outside accountant can assist with business plans, forecasting, strategic plans, performance comparisons, and financial reports (Barbera & Hasso, 2013). These are the tools companies need to look beyond surviving to thriving (Barbera & Hasso, 2013).

For purposes of defining accounting further, there are two main areas of accounting: financial and managerial accounting. These two areas provide the most important business information (Mihăilă, 2014). Financial accounting records and quantifies economic transactions for internal and external reporting purposes and must adhere to Generally Accepted Accounting Principles (GAAP) guidelines (Cretu, 2012). Financial accounting entails financial statement preparation for creditors, shareholders, government, employees, and other stakeholders (Nwobu et al., 2015). In this area, many people become Certified Public Accountants (CPA).

On the other hand, managerial accounting deals with providing accounting information to business enterprise managers (Nwobu et al., 2015). Managerial accounting quantifies and records financial and non-financial information, which aids managers in decision-making and in achieving organizational objectives (Cretu, 2012). In this area, many people become Certified Management Accountants (CMA).

Role of Managerial Accountants

Managerial accounting is a subset of accounting that aids management of a company in the areas of control, analysis, planning, and decision-making (Mihăilă, 2014). Managerial accounting includes information regarding activity costs, efficient asset management, and analysis essential for decision-making (Breuer et al., 2013). Managerial accounting assists organizations in managing daily operations, detecting and solving problems, evaluating progress, and making plans for short- and long-term periods (Cretu, 2012). Providing information for decision-making is one of the primary goals of management accounting (Adams, 2016). Furthermore, it also provides ways to improve a business's capacity to achieve goals and relate to its business environment (Lohr, 2012). The efficient use of managerial accounting will aid in profitable growth and optimization (Mihăilă, 2014). The practices of managerial accounting should concentrate on the areas that would benefit small-business survival rates the most (Ng, Harrison, & Akroyd, 2013).

The management accounting practices of small businesses differ from those used in large companies (Ng et al., 2013). Specifically, small and medium-sized businesses necessitate particular attention to management accounting as there are distinct resources and difficulties in comparison to larger companies (López & Hiebl, 2015). These differences include owners' business objectives, day-to-day business operations, owner's education level, the size of the resource base, stage of the business life-cycle, and the owner's openness to change and innovation (Ng et al., 2013).

In a study by Breuer, Lesconi, Frumusanu & Manciu (2013), 23 out of 50 respondents indicated that management accounting helped to reduce labor costs, lower indirect costs, and improve time and efficiency (Breuer et al., 2013). Many owners/managers do not have strong financial awareness and use accountants merely for statutory requirements (Marriott & Marriott, 2000). One of the roles of accountants should be to facilitate the financial awareness of owner-managers and provide management accounting to meet their abilities and needs and increase value (Marriott & Marriott, 2000). If owners/managers are aware of the value of managerial accounting information, they are more willing to pay for this service (Marriott & Marriott, 2000).

The role of management accountants has changed dramatically (Siegel, 2000). Previously, management accounting included providing reports and information; however, more recently, managerial accountants have become internal business consultants who work with other managers to solve problems and make decisions (Cretu, 2012). Managerial accountants are now providing forward-looking, insightful information that aids in decision-making (Siegel, 2000). Management accountants provide business owners with pertinent accounting information for decision-making (Adams, 2016). To support business decisions, business managers/owners need economic and financial data that is structured and relevant (Mihăilă, 2014). Management accountants evaluate information, operate information systems, choose and implement planning methods and communicate plans and actions to executives (Lohr, 2012).

Managerial accounting is useful not only to managers, but also to each employee from the worker to the manager (Breuer et al., 2013). Management accountants substantially contribute to the decision-making and strategic functions of a business and are often referred to as the “nerve center” of an organization (Shuttleworth, 2014). With a broadening service base, management accountants’ business advice has a performance benefit to small businesses (Carey, 2015). Management accountants must train not only other accountants but also non-financial users of accounting information to understand the useful decision-making information (Fory, 2014). Strategically aligning management accounting provides the financial control essential to coordinate and substantiate successful performance-enhancing decision-making (Fullerton, Kennedy, & Widener, 2014).

Management Accountants in Entrepreneurial Business. Entrepreneurs often do not possess the financial literacy needed to make fundamental business decisions (Drexler et al., 2014). For a competitive advantage and to assist in decision-making, small-business owners and managers should understand the importance of management accounting (Adams, 2016). A significant number of hopeful new ventures do not succeed at the growth stage, and this is the point in which managerial accounting becomes a critical element (Davila & Oyon, 2009). Management accounting systems need to ensure that they match the business and factors that contribute to strong performance (López & Hiebl, 2015). Small and medium enterprises that foster a strong management accounting system display healthier overall performance and increase many key attributes for success (López & Hiebl, 2015). Contrastingly, a precursor to business failure has been found to be the non-utilization of management accounting systems (López & Hiebl, 2015).

Financial reporting must be presented in a meaningful and useful manner to the user to be effective (A. R. DeThomas & Fredenberger, 1985). Without the financial knowledge and understanding of the accounting reports, an entrepreneur will not be prepared for the financial consequences of change (A. R. DeThomas & Fredenberger, 1985). When businesses fail, it is usually not a sudden event but rather a steady decline (Plummer, 2016). Often, entrepreneurs do not have the financial skills, knowledge, or motivation to improve their skills and knowledge that would deem them capable of seeing the warning signs of distress (Plummer, 2016).

The mere generation of data does not help with the use and understanding of accounting information, nor does presenting financial statements according to Generally Accepted Accounting Principles (GAAP) (A. R. DeThomas & Fredenberger, 1985). While there are numerous rules and regulations of GAAP, one main requirement is that financial statements are accrual-based, meaning they reflect the income and expenses actually incurred as opposed to cash-basis financial statements, which are not GAAP, and reflect only the income and expenses that impacted cash. For entrepreneurs, with their heavy focus on building and growing a business, cash is a main motivator and focus of their business. A more appropriate presentation for entrepreneurs and small-business owners may be cash-basis financial statements (A. R. DeThomas & Fredenberger, 1985).

Management Accounting, Innovation, and Leadership

By going beyond the stereotypical role, an accountant could expand their services to assist small businesses to succeed and thrive (Zimmerman, 2016). Furthermore, by being capable of performing other duties as needed, accountants could foster sustainability of small businesses (Zimmerman, 2016). As a result, accountants need to be innovative as well as leaders of change.

Innovation

Many states and nations have adopted programs to encourage innovation by entrepreneurial firms to accelerate economic growth (Autio et al., 2014). As the self-employed sector of the labor force grows, noteworthy public efforts have been developed to support entrepreneurship and innovation (Romero & Martinez-Roman, 2012). Newly established companies perform an essential role in innovative activity, which also adds to productivity growth (Decker et al., 2014). As noted by Adams (2016), small businesses have both social and economic significance as they cultivate innovation (Adams, 2016).

In the global arena, innovation has become a competitive advantage (Davila & Oyon, 2009). Some of the innovative ideas of today include personal computers, the internet, social media, voice over internet protocol (VOIP), solar technology, and many others. Innovation is related to taking advantage of unexpected opportunities, uncertain outputs, the possibility of failure, exceptions, and new relationships (Davila et al., 2009). In an effort to identify new ideas for improved service to their customers and to foster innovative ideas, some companies are implementing innovation contests to gather ideas from their employees (Armisen & Majchrzak, 2015).

Conventionally, research has focused on the entrepreneur as a symbol of economic restructuring and innovation (Schoar, 2009). Innovation and entrepreneurship begin with the idea that emerges from creativity and involves taking advantage of exceptions such as failing and succeeding, uncertainty and volatility, experimenting and being creative (Davila et al., 2009). For many, their innovative ideas will lead them into the world of entrepreneurship and business ownership. However, for many others, those businesses may prematurely fail if they do not adequately forecast market conditions or foster innovation (Koyagialo, 2016). Innovation success depends on the educational background and previous experience of business owners as well as the commitment and attitude of the participants in innovative projects (Plotnikova, Romero, & Martínez-Román, 2016).

Traditionally, innovation has been at the forefront of the entrepreneurial spirit. In a paradoxical shift, innovation is now regarded as essential in other areas as well, such as accounting. Historically viewed as traditional and rigid, accounting is now viewed as enabling product innovation by reducing uncertainty and enabling development trajectories (Christner & Stromsten, 2015). In a shift of the traditional view of accounting, a new pattern has been emerging over the last decade underscoring the significance of accounting in regard to innovation and entrepreneurship (Davila et al., 2009). In a recent article, Hood (2017) comments that accounting duties have remained traditional throughout history, with few revisions except for those mandated by regulators and legislators outside the profession (Hood, 2017). Hood adds that large accounting firms are exemplifying this shift by having divisions dedicated to innovation. For instance, one of the large accounting firms, KPMG, lists on their website, www.kpmg.com, a Strategic Alliance Division, which partners with such companies as IBM, Microsoft, and Oracle, to assist client with innovation, growth, and sustainable competitive advantage. In 2016, another large accounting firm, CohnReznick, opened an Innovation Lab in their New York headquarters to help companies become more innovative, transform their business models, improve customer engagement, enhance collaboration, and streamline operations (www.cohnreznick.com).

Leadership

Entrepreneurial leadership roles help create and align a vision toward sustainable goals (Dela Cruz, 2016). In the highly competitive environment of public accounting, there is extreme competition among the firms, as well as changing demands for financial information and high personnel costs (Pollock, 1998). Accounting firms are looking for ways in which to remain sustainable by investigating new management techniques and market areas (Pollock, 1998). One of the ways in which these firms are addressing the need for the rapidly changing landscape of public accounting is the development of transformational leaders (Pollock, 1998).

Accountants are held to a high ethical standard, as evidenced in their exam questions, textbook material, rules, and regulations. Therefore, while many accountants have a high ethical standard, they must also possess leadership skills to achieve higher professional ranks, and to assist their employers and clients. In today's accounting firms, leadership should be the focus instead of just billing hours (Boomer, 2005). Leaders who are both ethical and transformational are highly effective and contribute to positive outcomes (Copeland, 2013). Elements of transformational leadership such as charisma, inspirational motivation, personal interaction, and intellectual stimulation, contributed to the survivability of CPA entrepreneurial practices (Olaka, 2007). Transformational leadership and the leadership role of accountants could not only help CPA entrepreneurial firms, but other entrepreneurial businesses, training and education for entrepreneurs, and innovative programs (Olaka, 2007). Although not always an easy venture, managers of accounting firms who inspire to be agents of change and successful leaders should learn and follow transformational leadership characteristics (H. H. Friedman, Langbert, &

Giladi, 2000). As a result, managerial accountants should be innovative, ethical, and transformational leaders to improve their clients' entrepreneurial businesses and ultimately improve sustainability.

Gap in Research

In reviewing the literature, there emerged four main gaps in research. The first gap was in college preparatory classes focusing on the strategic role of management accountants. The second area was in the reasons for business failures. The third area was exit strategies of entrepreneurs. The fourth area, the role of accountants in start-ups, was the impetus for this paper. Finally, there is a gap in research on small-business growth and innovation, which is touched upon in this paper as well.

Accounting Education

There is a gap between the accounting needs of small and medium enterprises and the academic preparation of students in the collegiate system (Burke & Gandolfi, 2014). These students can the CPA exam and work with large companies but may not be able to handle the unique needs of small businesses (Burke & Gandolfi, 2014). United States education does not cover the accounting needs of small and medium-sized businesses (Adams, 2016) and the strategic role that management accountants play in those organizations (Shuttleworth, 2014). Future accounting college courses will include aspects of subjects such as strategy, information technology, and change management as new topics in the curriculum (Burns & Vaivio, 2001). Research institutions should have regular business education centers in which training and business development services are offered to entrepreneurs to aid with the dynamic nature of modern business (Carsamer, 2012). Further research should be completed in regard to the role of secondary school accounting in teaching financial skills to small-business owners (Samkin et al., 2014)

Reasons for Failure

There is a lack of research in firms with fewer than 20 employees, nor have they been a separate group in the realm of small business (Alsaaty, 2012). Also, start-up businesses have a larger probability of failure (Mellahi & Wilkinson, 2004). While there is a lot of research on the topic of small-business failure, there is a gap in the research on the reasons for failure (Berryman, 1993). Further research should include enterprise strategies to combat business failure (Zimmerman, 2016).

Exit Strategies

Exit strategies for entrepreneurs are important not only to the entrepreneur but also to the company, the industry, and the economy and thus should include more scholarly research (DeTienne, 2010). While there is a lot of research on starting a business, there is a lack of research on exit strategies for these ventures (Wennberg, Wiklund, DeTienne, & Cardon, 2010). Future research should include entrepreneurial exit and the factors that impact the successful survival or exit (Coleman et al., 2013). Understanding whether the exit strategy of entrepreneurs is proactive or reactive has only been tentatively researched (Ucbasaran, Westhead, & Wright, 2001).

Role of Accountants in Start-Ups

Further research could include the accountant’s role in helping entrepreneurs interpret financial information (Halabi et al., 2010). Further research could review the extent to which business owners employ accountants, or outsource accountants, as part of their business (Nwobu et al., 2015). Further research should include the perceptions of top executives, financial directors, and managing directors of small, medium, and large enterprises and the role that management accountants play in their company (Shuttleworth, 2014).

Small-Business Growth and Innovation

Further research should include how a company moves from the start-up phase to a successful organization, which would include understanding the successful start-up phenomenon, which in turn results in U.S. economic growth (Madireddy, 2010). Further research should include the determinants and nature of small-business process innovation (Plotnikova et al., 2016). There is a gap in knowledge of the factors that foster innovation in small businesses and the most effective strategy to support innovation (Romero & Martinez-Roman, 2012).

Summary

In summary, entrepreneurs are developers of innovative ideas, which play a vital role in a national economy. With over 25 million small businesses in the United States (Cardon et al., 2008), entrepreneurs are an integral part of the economy (Harris et al., 2005) and are facilitators of economic growth and development (Gill & Biger, 2012). The success of start-up businesses includes wealth creation and new job development (Adams, 2016; Decker et al., 2014; Lowder, 2009). The success and failure of start-up businesses impact the economy, and having advisors as well as leaders assist entrepreneurs can aid in their success.

While entrepreneurs are pioneers and leaders in their business and industry, they must also rely on other leaders for guidance and assistance in creating a successful enterprise. Once thought of as just “number-crunchers,” accountants are now being viewed as leaders and financial advisors to businesses (Siegel, 2000). Many scholars agree that the accountant is the most favored business advisor (Bennett & Smith, 2002; Gooderham et al., 2004; Jarvis, 2012; Shabaya, 2014). More specifically, management accountants can assist with strategic goals, act as teachers to entrepreneurs, and help lead and guide the business (Fory, 2014).

CHAPTER III: METHODOLOGY

Overview

Chapter III is a review of the methodology used in this study, which describes the leadership role of management accountants as they contribute to the innovation in start-up businesses in Southern California. This section is a detailed description of how the study was coordinated (C. Roberts, 2010). This section begins with the purpose statement and research questions for this study. Those areas are then followed by sections covering research method, research design, population of the study, determination of the sample population, and instrumentation utilized. Those sections are followed by the areas explaining validity, reliability, and triangulation of data, data collection, and data coding. The chapter is concluded with a final summary of the study and limitations of the study.

Purpose Statement

The purpose of this qualitative study was to understand and describe the leadership role of managerial accountants as it contributes to the innovation in start-up businesses in Southern California.

Research Questions

1 – What is the leadership role of managerial accountants as it contributes to innovation in start-up businesses in Southern California?

2 – What is the leadership role of managerial accountants as it contributes to entrepreneurship in start-up businesses in Southern California?

3 – What are effective strategies that managerial accountants can use to support innovation in start-up businesses in Southern California?

4 – What are effective strategies that managerial accountants can use to support entrepreneurship in start-up businesses in Southern California?

Research Method

Qualitative research methods collect and analyze non-numeric data such as narratives, pictures, words, and/or observations (Yoshikawa, Weisner, Kalil, & Way, 2013). Qualitative methods are appropriate to use when the researcher wants to emphasize data-gathering on naturally occurring phenomena (J. H. McMillan & S. Schumacher, 2010). By using this method, the data collected are in the form of words as opposed to numbers. Moreover, qualitative methods enable the study of issues in detail and depth (Patton, 2014). Qualitative research includes in-depth interviews, case studies, focus groups, and the like (Starr, 2014). While the quantitative method uses hypothesis or predictions, qualitative research methods do not use such measures or forecasts. Qualitative research includes understanding the meaning, researching how things work, summarizing people's stories, clarifying how systems function, understanding context, identifying consequences and making comparisons (Patton, 2014). The main distinction between quantitative and qualitative research is in the data presentation (McMillan & Schumacher, 1989). Qualitative research reports results in narrative form while quantitative research presents results in a numerical or statistical form (McMillan & Schumacher, 1989). Furthermore, qualitative research involves discovering how people view their world, the experiences that they have, and the meaning they created in their world (Merriam & Merriam, 2009).

It is appropriate to use this method when the meaning of people's experiences, cultures and issues are being explored. As this study did not include a hypothesis or involve a numerical representation, a qualitative research method was selected. This method was most appropriate to describe the role of managerial accountants and the lived experiences of entrepreneurs. Through the use of open-ended interview questions, entrepreneurs can share their lived experiences, points of view, and opinions. Open-ended questions provide a framework for which people can answer accurately and thoroughly, and can share experiences (Patton, 2014).

Research Design

Research design is the plan for selecting subjects and collecting data to answer the research questions (McMillan & Schumacher, 1989). The design is the plan that answers the research questions identified (Patton, 2014). In other words, research design is a roadmap for the direction of the research (Merriam & Merriam, 2009). Further, it is a set of questions to be answered and a plan to answer those questions (Merriam & Merriam, 2009).

Entrepreneurial roles and leadership are new topics in the area of business management (Dela Cruz, 2016). Additionally, there has been limited research completed on the leadership role of those assisting entrepreneurs, specifically management accountants. Therefore, this research assists entrepreneurs in areas to help their businesses survive and thrive in a volatile and unpredictable business environment. Hence, by using a qualitative study, personal experiences of entrepreneurs and their experiences with consultants, such as managerial accountants, were explored and described.

Population

As defined by McMillan and Schumacher (2010), “population is a group of elements or cases, whether individuals, objects, or events, that conform to specific criteria and to which we intend to generalize the results of the research” (p. 129). Also referred to as the target population, this group can be used to generalize the results (J. H. McMillan & S. Schumacher, 2010). A sampling frame, or survey population, is the list of elements from which the sample is selected (J. H. McMillan & S. Schumacher, 2010). The measure of the is that which will provide enough information to address the research question (McMillan & Schumacher, 1989). For this study, the population is all start-up businesses in the United States.

Innovation, proactivity, and risk-taking are three similarities among entrepreneurial firms (Bengesi, 2014). Entrepreneurs try new ways of doing things or a better way of doing things with an unique approach (Dela Cruz, 2016). Founders in start-up businesses tend to have limited resources in terms of capital and limited experiences in marketing, accounting, management and finance (Alsaaty, 2012). There are approximately 28 million small businesses in the United States (sba.gov, 2017) which is a population too large to reasonably study, and thus a target population was identified. The target population defines the population to which the findings of a survey are meant to be generalized. It is important that target populations are clearly identified for the purposes of the research study (James H McMillan & Sally Schumacher, 2010). It is typically not feasible, due to time or cost constraints, to study large groups; therefore, a target population was selected from within a larger group. The target population was identified as small businesses in Southern California in San Diego, Orange, and Los Angeles counties that have been in business less than five years. The selection of these counties is central to the researcher and allows both convenience and accessibility in conducting interviews. Not only was Southern California convenient for the researcher, it includes major cities such as Los Angeles, Irvine, and San Diego. All of these counties have start-up incubators that can be used to solicit participants.

Sample

A sample is selected from a larger group (population) and can be used to gather information and data (J. H. McMillan & S. Schumacher, 2010). As noted by Patton (2015) and Creswell (2003), a sample is a subset representing the entire population. Nonprobability sampling, also referred to as purposive or purposeful, was used to select a sample of a population to understand, discover, and gain insight from which a lot of knowledge can be gleaned (Merriam & Merriam, 2009). This sample was used by the researcher to generalize information and gather data to answer the research questions.

Convenience sampling was used in this research as well. Convenience sampling, also called availability or available sampling, involves using subjects that are accessible to the researcher (McMillan & Schumacher, 1989). The subjects used were not selected randomly from a larger population; however, they appeared representative of much of the population (McMillan & Schumacher, 1989). Further, convenience sampling uses subjects that are expedient and accessible (J. H. McMillan & S. Schumacher, 2010). Convenience sampling was used for accessibility, efficiency, and practical constraints (J. H. McMillan & S. Schumacher, 2010). The purpose of this type of research is to better understand existing relationships (J. H. McMillan & S. Schumacher, 2010).

Additionally, convenience sampling is used to select a sample based on location, availability, money, time, and other factors (Merriam & Merriam, 2009).

As the entire population of entrepreneurs would be impossible to interview, a sample size was chosen to be representative of the population (Patton, 2014). Data saturation, the moment where no new themes or information can be observed, is evident at 12 in-depth interviews with a relatively homogeneous population (Boddy, 2016). For this study, the sample size was 12 small businesses in Southern California who have been in business for less than five years. Of the 12 small businesses used for this study, 5 were from the San Diego County area, 4 were from the Los Angeles County area, and 3 were from the Orange County area. While the population of entrepreneurs is extensive, narrowing the search to those entrepreneurs in Southern California utilizing a management accountant for at least six months narrowed the scope. This method was used to explore the meaning of small-business owners' experiences, cultures, and issues, specifically with their accounting needs and requirements. These entrepreneurs were selected on the basis of specific criteria:

1. In business less than five years
2. Utilization of a management accountant for at least six months
3. Willingness to participate in the study.

The sample selection process included contacting professional organizations and networking groups for volunteers for this study, requesting volunteers via LinkedIn and Facebook, and soliciting participants at start-up incubators. The parameters were defined as that the business must be in existence for less than five years and have utilized a management accountant on a part-time, full-time, or consulting basis for at least six months. These parameters were used to gauge the level of involvement and interaction of the management accountant in the start-up business. Existing clients, prior clients, prior employers, and current clients of the researcher were excluded from the study.

Instrumentation

Instrumentation is a critical component of qualitative, and quantitative, research (Sofaer, 2002). Instrumentation refers to the difference in the person, or people, and the instruments that are used to collect data might cause the results to fluctuate (J. H. McMillan & S. Schumacher, 2010). The difference in results includes changes in the instrument, observers, or unreliability (McMillan & Schumacher, 1989). The three instruments for this study included semi-structured interviews, artifact compilation, and a researcher.

One instrument used in this study was the interview protocol the researcher employed in semi-structured/open-ended questions during one-on-one, qualitative interviews with entrepreneurs. Unlike structured questions with limited or selected responses, semi-structured questions do not have selected answers and are open-ended questions to allow for an individual response (J. H. McMillan & S. Schumacher, 2010). In semi-structured interviews, the questions use flexibility, requiring specific data, and include a list of questions guided by the interviewer (Merriam & Merriam, 2009). Open-ended interviews allow for detail, depth, and meaning to gain a deeper personal experience (Patton, 2014). The entrepreneurs were those that have small businesses in existence less than five years that have utilized a management accountant on a part-time, full-time, or consultant basis for at least six months.

The second instrument used was artefactual and documentary records in the data collection process. Documentary data included information regarding the longevity of the small business. Documentation included records, social media postings, official publications, letters, written communication and other material (Patton, 2014). Artifacts include objects, official documents, and personal documents (J. H. McMillan & S. Schumacher, 2010). Documents include writing and printed records of past events that provide explanations, clarification, and detail of issues and practices (McMillan & Schumacher, 1989). A part of this data collection included documentation that all companies have been in business for less than five years and have utilized a management accountant for at least six months.

The third instrument used was the researcher herself. The researcher is the principal tool in qualitative research for the gathering and evaluation of data (Merriam & Merriam, 2009). The researcher applied the knowledge of the body of literature and understanding of valid and reliable research methods to ensure results in a research study with transferable findings. The researcher’s communication style, personality, professional and personal background, and interviewing style may influence the data collection. As a result, some bias may have resulted. In qualitative research, reliability is the extent to which the findings can be duplicated (Merriam & Merriam, 2009). Further, it is important that the data collected is consistent with the results (Merriam & Merriam, 2009). Bias, also known as the experimenter effect, refers to the inadvertent as well as intentional persuasion that the research has on the subjects (J. H. McMillan & S. Schumacher, 2010).

For this study, the researcher conducted in-person and phone interviews with entrepreneurs by asking open-ended questions to the participants. Each interview started with a brief overview of the study. At the beginning of each interview, the Research Participant Bill of Rights were mentioned and briefly described. With the understanding of the Bill of Rights, the interviewee signed the Informed Consent Form and the Audio Release Form. After the explanations and forms were completed and signed, the researcher proceeded with the interview by asking open-ended questions.

The open-ended questions that were developed in advance of the interviews which were created by the researcher and evaluated by a team to ensure bias reduction/elimination, question development, grammar, applicability to the study, and data collection validity. The questions were developed based on the review of the literature; see Appendix for further detail. Qualitative interviews tend to be less structured and use open-ended questions to allow for interaction and understanding of the topic being researched and investigated (Merriam & Merriam, 2009). Semi-structured interviews have a primary list of questions from which the interviewer may digress from to obtain additional information (Patten, 2012).

Before any interviews commenced for this study, a pilot test interview was conducted. This pilot test was used to check for bias in the questions, interviewer, and procedures (J. H. McMillan & S. Schumacher, 2010). The pilot test also helped ensure that the time for the interview was appropriate, directions were clear, and the questions were understandable (J. H. McMillan & S. Schumacher, 2010). This mock interview served as practice for the signature acquisition of forms, recording of the interview, transcribing the interviews, and interviewing/meeting skills. After the mock interview, the person interviewed provided feedback regarding body language, comfortableness, any bias noticed, suggestions for improvements, and overall approach and professionalism. Feedback was then used to modify and adjust items accordingly (refer to Appendix for feedback protocol). During the mock interview, an observer was used to evaluate the interview and offer suggestions regarding future interviews. The observer suggested that follow-up questions should be used when appropriate, that the halfway mark of the interview should be mentioned, and that the questions should be read by number and question.

The researcher then used the revised/final interview questions as a guide when interviewing entrepreneurs for this study. This guide was used to ask follow-up questions during the interviews when deemed appropriate or as needed. During the interview, the researcher took notes and recorded the interview. A confidential transcription service transcribed the meetings. The transcription data was gathered and evaluated to develop themes in the research. The final data set was coded and analyzed to develop themes in the qualitative data.

A third-party confidential transcription service was used to transcribe the audio recordings of the meetings. The researcher also compiled all field notes and other observations. After a comprehensive arrangement of the data, the researcher reviewed and evaluated the data elements to develop general results and create an overall meaning of the data collected.

The data coding for this study involved developing themes, the frequency of codes, and consolidating codes into meaningful themes. The first part of data coding included characterizing small segments of individualized data (J. H. McMillan & S.

Schumacher, 2010). The next part included taking these individual segments and analyzed to create a code so that each data set, or segment, can be identified with a code (J. H. McMillan & S. Schumacher, 2010). Themes, or categories, are grouped codes that represent major ideas or themes (J. H. McMillan & S. Schumacher, 2010). Once all of the data was collected, there was a period of concentrated analysis where each interview transcript was coded for answering the research questions (Merriam & Merriam, 2009). These codes were pieces of data that were used to construct categories and comprise a classification system for patterns and regularities in the data (Merriam & Merriam, 2009).

Validity, Reliability, and Triangulation of Data

An important aspect of any study is to ensure the data collected and analyzed are accurate and not biased. Qualitative studies need to exemplify that their studies are credible (Creswell & Miller, 2000). As such, there are numerous avenues to create such credibility (Creswell & Miller, 2000) and this paper will address the areas of triangulation of data, reliability, and validity. Within the scope of validity, there are two distinctive measures: internal and external (P. Roberts, Priest, & Traynor, 2006).

Triangulation of Data

Triangulation of data aids in credibility as it strengthens assurance in the conclusions (Patton, 2014). In the specific area of qualitative studies, consistency within the same interviewees is how triangulation is accomplished (Patton, 2014). In other words, if interviewees say the same thing about a certain topic, then the data is said to be triangulated or verified. By using coding techniques, the data was coded and triangulated to ensure credibility. The results of this study can be considered valid and reliable within the constraints and limitations of the sample and for companies that are similar in size, the length of business, and geographic area. Through the diligent efforts of the researcher, dissertation chair, dissertation committee, and the faculty and staff at Brandman University (part of the Chapman University system), the validity of this study was completed.

Reliability

Reliability is the concept that the findings or results of the study should be reproducible to a similar group with the same results (P. Roberts et al., 2006). Reliability, which is a form of validity, means being free from error (Hess, McNab, & Basoglu, 2014). Reliability ensures the study is academically rigorous, trustworthy, and provides for solid empirical research (Morse, Barrett, Mayan, Olson, & Spiers, 2002). This study ensured that the data was reliable by recording the interviews, transcribing the meetings, and communicating the information from those meetings, free from bias and opinion. In this study, reliability was ensured by adhering to the content in the interviews and not adding any researcher opinion, bias, or commentary. The third-party transcription service used was Rev.com and included recording on the Rev app, then placing an order with Rev.com to transcribe the interviews. Rev.com transcribed the interviews and sent a .pdf copy of the interview via e-mail.

Internal Validity

Internal validity involves communicating the cause for the results of the study (P. Roberts et al., 2006). Further, internal validity obtains correct outcomes and precisely gages its intended measures without bias or error (Price & Murnan, 2004). In this study, internal validity was achieved by having the same questions for all interviews and having peer and faculty review of the study. Through the Brandman University Internal Review

Board (BUIRB) and with a dissertation chair and committee, internal validity was examined, reviewed, and verified. Moreover, internal validity was ensured by transcribing interviews with a third-party transcription service to accurately communicate the interview results without bias or opinion.

External Validity

Whereas internal validity pertains to the ensuring the correct outcomes, external validity is concerned with the sample size being representative of the entire group. External validity is the notion that the sample size is representative of the entire population (P. Roberts et al., 2006). In other words, external validity means that the entire population would have the same results, similar to those of the sample (Price & Murnan, 2004). Due to time, cost, and scope limitations, the entire population could not be interviewed and analyzed. Therefore, to narrow the scope, entrepreneurs in the Southern California area were interviewed and analyzed in terms of being closely representative of the population.

Data Collection

The data collection consisted of structured open-ended interview questions recorded via handheld recording device. Prior to the interview, the consent form was signed by the interviewee and given to the researcher. The researcher then interviewed the entrepreneur by asking the questions as presented in the interview questions. During the interviews, when deemed necessary and appropriate, the interviewer asked follow-up questions to clarify or provide more information as needed. These interviews were recorded with a handheld device and transcribed by an external service.

Data Coding and Analysis

After the interviews, the narrative was transcribed using an outside transcription service. From these recordings, the common themes and opinions of those interviewed were extrapolated and coded. These emergent themes were then noted and analyzed for themes, and frequency of themes.

Intercoder reliability, also referred to as interrater reliability, is an integral part of the open-ended survey response content analysis (Lavrakas, 2008). Intercoder reliability refers to the way in which two or more independent coders would agree on the applicability of the identical coding arrangement (Lavrakas, 2008). For this study, intercoder reliability was ensured by asking each participant identical questions in an unchanged order and then coded at the same time at the end of the data collection period. When using semi-structured interviews, interrater reliability is appropriate when all participants when data is coded collectively at the same time from results of identical questions are asked in the identical order (Patton, 2014). Furthermore, immediately after each interview, the recording was sent to the third-party transcription service. The transcriptions were received back within 24 hours.

Limitations

As the research was a qualitative study with a small sample size (relative to the entire population), the data may not provide the overall opinion of all entrepreneurs in the world or the United States or California. The scope of the study included a sample size of entrepreneurs in three counties of Southern California. Thus, the relatively small number of entrepreneurs interviewed may not be generalizable to the entire world of entrepreneurs.

The main focus of the study was to gain understanding and insight into the leadership role of management accountants in start-up businesses in Southern California. The entrepreneurs interviewed were in business less than five years and thus may not be representative of those with businesses with more longevity and with more experience in growth. Further, this study did not garnish information from entrepreneurs who had failed businesses which may have provided a different perspective, understanding, and knowledge.

A limitation of a study design could be the bias of a researcher that was not intended, or that was uncontrollable (Price & Murnan, 2004). Accordingly, the researcher for this study has been a Certified Management Accountant for the past 20 years and has been a self-employed accountant and business consultant for the past 15 years. All efforts will be made to report the qualitative analysis objectively to alleviate bias in this research. Reliability of the analysis can be maintained through interviews and software programs to code the data (Mays & Pope, 1995). For this study, no previous clients, current clients, or previous employers of the researcher were included.

Additionally, the researcher did not have extensive knowledge in interviewing for research methods. As such, the researcher solicited opinions of colleagues, faculty advisors, and doctoral administrative committees to ensure a high level of reliability, validity, ethics, and proper reporting. Various individuals reviewed interview questions for clarity, conciseness, grammar, spelling, and focus on the study at hand. The interview questions were revised to include more opportunity for involvement, information, narrative, and lived experiences.

Summary

This chapter reviewed the research methodology as it relates to the Purpose Statement and Research Question. The research methods reviewed included a determination of the most appropriate for this study. The population and sample indicated the most appropriate for this study as well as the instrumentation. To ensure objectivity, this chapter included explanations of validity, reliability, and triangulation of data. This chapter also identified that data collection and coding and the limitations and delimitations of the study. Chapter IV will include descriptive detail of the findings and the analysis of the data collected. The Appendix includes the Internal Review Board application, scripted interview questions, and literature matrix.

CHAPTER IV: RESEARCH, DATA COLLECTION, AND FINDINGS

With a large failure rate among start-up business, this research looked at ways to decrease this percentage. Without knowing the key factors causing start-up businesses to fail, or exploring them, the cyclical system of start-ups failing over and over will continue and there will be no assistance in increasing success rates. This study focused on the role of managerial accountants and their importance to start-up businesses and their ability to survive, grow, and develop. This chapter provides a synthesis of the findings from this study. The first section of this chapter details the interviews and the questions asked of each participant. The second section of this chapter presents the findings as they relate to the questions asked of the entrepreneurs. The final section of this chapter presents a discussion of the findings and the recommendations.

The purpose of this study was to explore the leadership role of management accountants as it relates to innovation and entrepreneurship in start-up businesses in Southern California. For this study, through interviews, 12 entrepreneurs shared their experiences with management accountants in start-up businesses. Each entrepreneur had been in business less than five years, used a management accountant on a part-time, full-time, or consultant basis, and had their start-up business located in Los Angeles, Orange, or San Diego County.

Purpose Statement

The purpose of this qualitative study was to understand and describe the leadership role of managerial accountants as it contributes to innovation and entrepreneurship in start-up businesses in Southern California.

Research Questions

1 – What is the leadership role of managerial accountants as it contributes to innovation in start-up businesses in Southern California?

2 – What is the leadership role of managerial accountants as it contributes to entrepreneurship in start-up businesses in Southern California?

3 – What are effective strategies that managerial accountants use to support innovation in start-up businesses in Southern California?

4 – What are effective strategies that managerial accountants use to support entrepreneurship in start-up businesses in Southern California?

Methodology

The methodology used to understand and describe the leadership role of managerial accountants as it contributes to the innovation and entrepreneurship in start-up businesses in Southern California was a qualitative study. A qualitative research method, presented in narrative form, sought to seek and summarize entrepreneurs' stories and experiences.

Population and Sample

The population for this study was all entrepreneurs in the United States of America. However, since there are millions of start-up businesses in the United States, the total population was not feasible. Therefore, a target population was identified as small businesses in Southern California, specifically, in the San Diego, Orange, and Los Angeles counties and that have been in business less than five years. The sample comprised 12 businesses in Southern California which have been in business for less than five years. The selection of these counties was central to the researcher and allowed for both convenience and accessibility in conducting interviews.

Data Collection

The interview questions sought to answer the above research questions. Each entrepreneur interviewed was asked the following 10 questions (in the same order):

1. How did you decide to hire a management accountant?
2. What are the specific duties and responsibilities of the management accountant that you subcontracted or hired?
3. How would you describe the leadership role of the management accountant?
4. What was the leadership role of the management accountant as it contributed to the innovation of your company?
5. What was the leadership role of the management accountant as it contributed to the entrepreneurship of your company?
6. What would you describe as effective strategies that managerial accountants can use to support the innovation of your business?
7. What would you describe as effective strategies that managerial accountants can use to support entrepreneurship of your business?
8. What would you describe as the disadvantages of hiring or subcontracting a managerial accountant?
9. Did you specifically seek out a management accountant for your business, and if so, why?
10. In retrospect, would you hire or subcontract a management accountant again? Please explain.

The responses from these interviews were compiled and evaluated by each question to ascertain similarities, differences, and anomalies. Each interview included these 10 questions in this order, with follow-up questions asked, if necessary, to clarify or for further detail. These interviews were transcribed and then organized by each question to code the responses. Each of the 10 questions is listed below with a summary of the comments by the entrepreneurs for each question. Of the entrepreneurs interviewed, three were female and nine were male. The industries of the companies included medical (two), toy manufacturing (two), government consulting, technology devices, insurance, auto services, environmental resource services, emergency services, business services, and e-commerce. Further, artifacts were collected from each company to ensure validity and reliability of the company and entrepreneur. These artifacts included website research and review, publication materials, advertising brochures, social media presence, and internet search results.

Presentation and Analysis of Data

The presentation and analysis of data in this chapter were obtained qualitatively through face-to-face, or phone, interviews with twelve entrepreneurs. The interviews took place over the phone, at their respective business, or at the company's incubator. The findings from the interviews are reported below about how they answered each of the interview questions.

Data Results for Research Question 1

The first Research Question asked, "What is the leadership role of managerial accountants as it contributes to innovation in start-up businesses in Southern California?" As noted in Table 1 below, 8 out of the 12 entrepreneurs (Entrepreneurs 2, 3, 4, 6, 7, 8, 9,

11) interviewed indicated that the leadership role of the management accountant as it contributes to the innovation of their company was minimal to non-existent. Entrepreneurs 1 and 10 viewed the leadership role of the management accountants as it contributes to the innovation of the company as being instrumental in acquiring capital for the start-up business. Entrepreneur 5 mentioned that the leadership role of the management accountant as it contributes to the innovation of the company was in operations and networking.

Table 1 - Entrepreneurs Response of the Management Accountants Role as it Relates to Innovation in Start-Up Businesses

Roles	Frequency of Responses
Minimal to non-existent leadership role	8
For funding assistance	2
Operational assistance	1
Networking	1

Entrepreneur 3 expressed concern that any outside person, unless fully immersed in the company, could not completely understand the intricacies of the innovation of the entrepreneur and their company. Entrepreneur 2 commented about how the innovation, or product management, was done by the entrepreneur and an outside accountant is not directly involved in the development, revisions or production of a product. The data collected indicated that the managerial accountant does not have a direct role in the innovation goals of a start-up company.

Entrepreneur 1 and Entrepreneur 10 viewed the leadership role of the management accountant as it contributed to the innovation of their company as understanding the financing needs of the company. Entrepreneur 10 viewed the assistance with financing as helping raise capital to achieve the goals of the company. They utilize their management accountant to understand costs, assist with the understanding of the costs, and help with the capital needed, or with raising the capital, to help with covering the costs associated with making the product. This is not surprising since managerial accounting has historically consisted primarily of calculating costs; however, the function and role of managerial accounting have extended into providing information regarding the effect of those expenditures (Marius et al., 2012). In other words, without the financial support, there is no innovation, and thus, no company. Entrepreneur 1 viewed the financing role as that of handling cash flow and the overall financing of the company. This entrepreneur commented that financing has its own form of innovation and the management accountant helps with the financing of the company in using orders as collateral for short-term loans at favorable rates. Instead of just raising money or having the cash flow problems that many start-up businesses face, this entrepreneur uses other forms of financing to help with cash flow and the management accountant has a key part in that financing role.

Entrepreneur 5 commented that the leadership role of the management accountant as it contributed to the innovation of their company was on the operations side of the business, as noted in Table 1 below. More specifically, this entrepreneur indicated that their accountant not only does a lot of the accounting work, but also works to build the department, and to build the company. The accountant is in place to keep the company on track to ensure that departments are staying within the budget parameters, and if they go outside those parameters, to investigate the variances. This entrepreneur also indicated that she does not want to be bogged down with the little details of everything, so the accountant helps with keeping track of the details so that the entrepreneur can look at the big picture.

Entrepreneur 12 commented that the leadership role of the management accountant as it relates to innovation is an indirect one. For this entrepreneur, their management accountant helped to get the owner connected with people, helped with networking, and helped to find people that they needed. Their management accountant was supportive and believed in the company, what they were doing, and helped with morale and motivation. As a result, the entrepreneur indicated that perhaps innovation was indirectly impacted through support and motivation.

In summary, many entrepreneurs view the leadership role of management accountants as it contributes to the innovation of a start-up company to be minimal or non-existent. These entrepreneurs cited that entrepreneurs facilitate innovation and an outside accountant does not have the level of involvement to contribute significantly to innovation. Contrastingly, other entrepreneurs viewed the role of management accountants as it contributes to innovation as contributing funding, operational, and networking assistance.

Data Results for Interview Question 2

The second Research Question asked: “What is the leadership role of managerial accountants as is contributes to the entrepreneurship in start-up businesses in Southern California?” Four entrepreneurs (Entrepreneurs 1, 2, 3, and 8) indicated that fundraising was the principal leadership role of the management accountant as it contributed to the entrepreneurship of the company. Entrepreneur 1 commented how the management accountant that they hired helped "to get things into the proper shape to raise money." Another entrepreneur commented how the management accountant was beneficial in "getting the funding needed." Additionally, Entrepreneur 3 commented that their management accountant provided guidance regarding fundraising and prepared for the professional fundraising, specifically Series A fundraising. Entrepreneur 2 commented how their management accountant has been with them since the beginning of the company; from kick-starting the company, to selling the company, to seeing them through funding rounds, the management accountant was there to give financial support with each phase. They were helpful and supportive and gave the financial piece needed for funding. When entrenched in a company, an external accountant can become a competitive advantage (Barbera & Hasso, 2013).

As noted in Table 2, two entrepreneurs (Entrepreneurs 4 and 7) commented on how the management accountant frees up the entrepreneurs' time. Entrepreneur 7 commented how their management accountant helped to make their life easier. Since this entrepreneur did not have the time to read up on accounting trends, tax laws, and tools, the management accountant enabled the entrepreneur to focus on other work that needed to get done. This entrepreneur also commented that having people who can be relied upon to handle certain aspects of the business, like accounting, is essential. Entrepreneur 4 also commented on how having an accountant frees up resources which, in turn, frees up time.

Table 2 - Entrepreneurs Response of the Leadership Role of Management Accountants as it Relates to Entrepreneurship in Start-Up Businesses

Roles Identified	Frequency of Responses
Fundraising	4
Frees up resources	2
Financial statement preparation	2
Support	1
Proposal structuring	1
Technical assistance	1
Cash flow	1

Entrepreneurs 6 and 9 commented that the leadership role of the management accountant as it contributed to the entrepreneurship of the company was in keeping proper financial statements which are presented to others. Entrepreneur 6 commented that the management accountant kept accurate, reliable, and proper financial statements. Entrepreneur 9 articulated that their management accountant made sure the finances were in order and that there were proper financial statements. This entrepreneur further commented that the management accountant does not get involved in the entrepreneurship or creativity of the business; they do not hinder the process, and they do not directly affect the process positively or negatively in any way. As the risk of investment in a start-up business increases, an investor uses the financial statements more and more (Falk, 1973). Furthermore, the frequency of financial statement preparation has a positive relationship to the use of outside funding (Cassar, 2009).

Entrepreneur 12 indicated that the leadership role of the management accountant as it contributed to the entrepreneurship of their company was one of support. The management accountant helped on giving their opinion of potential investors and credibility of people--in other words, whom to trust and whom not to trust. He helped them with advice on investments, talking with investors, helping with investors, and assisting in what to say, or not say, to investors.

Entrepreneur 11 commented on how their management accountant gave them advice on how to structure proposals. In this business, the management accountant advised on how to structure proposals to specific entities for grants and bids. Since the management accountant was familiar in this industry, they helped identify potential "hot spots" or specific areas that were deemed important and that needed detail and attention.

Entrepreneur 5 commented on how the management accountant understood the business, vision, and what is needed. The management accountant is an integral part of meetings to answer technical questions and who is intimately familiar with the financial side of the business. The management accountant is involved in the details of the financial statements while the entrepreneur is involved in bigger-picture information and direction.

Entrepreneur 10 commented how their management accountant helped to prioritize money and the spending of the money. The management accountant assisted the entrepreneur in setting priorities and to help build the business to maximize value. Entrepreneur 10 also commented that since planning rarely goes as designed, many times there are increased costs and increased time spent, so having the expertise of a management accountant is helpful in the prioritizing and spending of money. In small businesses, owners are the primary users of financial data; therefore, financial information should be focused on their needs and in their understanding, specifically cash flow data (A. R. DeThomas & Fredenberger, 1985).

To summarize, this research question explored the leadership role of management accountants as it contributes to the entrepreneurship in start-up businesses in Southern California. Many entrepreneurs noted that management accountants contribute to the entrepreneurship of a start-up business by assisting with fundraising. While a couple of entrepreneurs noted that a management accountant contributes to entrepreneurship by freeing up resources, two other entrepreneurs noted that the contribution was in financial statement preparation. Other entrepreneur responses included support, proposal structuring, technical assistance, and cash flow.

Data Results for Research Question 3

The third Research Question asked: "What are effective strategies that managerial accountants use to support the innovation in start-up businesses in Southern California?" The data in Table 3 presents strategies used by management accountants to support innovation. The varied responses include fundraising, caring, management control systems, streamlining processes, accounting concept explanation, support, being a liaison between entrepreneurs and investors, profit margin reporting, and entrepreneurial experience.

Three entrepreneurs (Entrepreneurs 1, 2, and 4) commented that an effective strategy that management accountants can use to support the innovation of business is in acquiring necessary funding. Entrepreneur 2 explained that in the beginning, a start-up company is boot-strapped; in other words, they are tight on cash funds. Entrepreneur 2 added that entrepreneurs want to put all their money into research and development (R&D) and do not want to look at anything else besides R&D. The data suggests that a management accountant is critical to ensure proper budgeting and forecasting, categorizing expenditures, and helping make strategic decisions. Entrepreneur 4 commented that finding creative ways to free up money is helpful for a start-up business. Additionally, Entrepreneur 1 commented that money is like oxygen for a start-up company. A management accountant can help entrepreneurs know how much money there is to fund operations and if more money is needed.

Table 3 - Entrepreneurs Response of the Effective Strategies for Management Accountants to Use to Support Innovation in Start-Up Businesses

Roles Identified	Frequency of Responses
Fundraising	3
Caring	2
Management control systems	1
Streamlining processes	1
Explanation of accounting concepts	1
Being supportive	1
Liaison between entrepreneurs and investors	1
Profit margin reporting and assistance	1
Background in entrepreneurship/entrepreneurship strategy	1

Every person on a team should love what they do and should put their heart into their work (Crowley, 2011). As noted in Table 3, caring about the company was mentioned by two entrepreneurs (Entrepreneurs 3 and 7) as an effective strategy that a management accountant can use to support the innovation of a start-up business. Entrepreneur 7 mentioned that they want their accountant to be aware of the details of the company without having to be told about it. For instance, if the company opens a new office in China or hires more people, they want their management accountant to know that before the entrepreneur tells them. Entrepreneur 7 suggested management accountants should use applications that notify the accountant when their company is in the news or other noteworthy information. Entrepreneur 3 noted that they want their management accountant to care about their start-up venture; to look beyond just the numbers and ensure they tie out properly. They want their management accountant to look at the company regarding how they are doing, what the company is trying to accomplish, looking at the big picture, focus on the mission of the company, and how that all relates to the accounting. If the management accountant can see the bigger picture, then they can see a different story because they can ask questions and gain a deeper understanding of why the company is doing what they are doing, or how they save money, or find capital, or obtain other needed resources. By fostering a strong advisor-client relationship, survivability of a company, as well as sales growth, are enhanced (Barbera & Hasso, 2013).

Entrepreneur 10 indicated that an effective strategy that managerial accountants can use to support the innovation of their business would be to set up computerized systems that can help track sales orders, purchase orders, and inventory. Having management control systems is important, and management accountants play a key role in those systems. As a result, Entrepreneur 10 viewed the management accountant as an integral part of their computerized system. Part of the operational framework of a young and growing business is the management accounting system, which includes decisions regarding budgeting, variance analysis, and product profitability (Davila & Foster, 2005).

Entrepreneur 5 commented that streamlining processes was an effective strategy that managerial accountants could use to support the innovation of a business. Having data that is easy to read and understand is an important attribute of communicating financial information. Innovation is supported by finding ways to streamline processes, specifically when it pertains to communicating financial information. Instead of having an enormous amount of information, having a streamlined process for overviewing or summarizing information is an effective strategy that managerial accountants can use to support the innovation of a company.

The leadership role of management accountants includes educating others in comprehending accounting to reach a company's strategic goals (Fory, 2014). As noted Entrepreneur 11 mentioned that training and tutorials that can be provided to explain accounting concepts could be an effective strategy for management accountants to support the innovation of a company. This entrepreneur commented that managerial accountants could help support the innovation of a company by helping with the "mystery of accounting." Entrepreneur 11 further added that most entrepreneurs are either on the business side or the technical side; therefore, having tutorials or training on the accounting side would support the innovation of the company. Small-business managers and owners should understand the importance of management accounting to assist in decision-making and for a competitive advantage (Adams, 2016).

Entrepreneur 12 articulated that on an advisor level, an effective strategy that managerial accountants can use to support the innovation of a start-up business would be to ask questions about the company, ask them in a supportive manner, and connect people who can help answer those questions. For instance, when a management accountant asks such questions as: “where are you at?” or “what do you need?” or “what are your needs today?”, the accountant not only shows interest in the company but also helps in connecting people that can assist with those needs. Entrepreneur 12 mentioned that gentleness was important. For example, instead of being hard-headed and saying, “you have to do it this way or the highway”, saying, “did you think about it this way?” or “have you thought about this?” were better, more appreciated, responses. By not telling the entrepreneur what to do, but rather asking what the needs of the company are, the accountant helped to support the innovation of the company. Good leaders do not simply solve problems; rather, they re-frame the issue to create an opportunity that fosters team creativity and, in turn, achieves better results (Griffiths, 2014).

Entrepreneur 6 commented that an effective strategy for a management accountant could be to be a liaison between investors and the owner of a company as well as the tax accountant and entrepreneur. The management accountant can give investors the financial information they need and other pertinent information. The management accountant can also work with the tax accountant for tax strategies and tax credits.

Entrepreneur 8 mentioned that an effective strategy that a management accountant can use to support the innovation of their business would be to look closely at profit margin—in other words, looking at ways to categorize expenses that will help with profit margin and then assess how that relates to the needs on the technology side. For Entrepreneur 8, the profit margin was an important aspect of their business, and thus, they needed someone who was versed in this area. Accountants instruct and direct business owners in the appropriate calculation of profit, in accountability, and in helping to set goals and objectives (Nwobu et al., 2015).

Utilizing a management accountant with a background in entrepreneurship and entrepreneurship strategy was mentioned by Entrepreneur 9 as an effective strategy for a managerial accountant to support innovation. If the management accountant has experience with working with entrepreneurs and entrepreneur strategy, they understand what entrepreneurs deal with, and work with, and thus can address these needs. Entrepreneur 9 mentioned that some management accountants might not be capable of making entrepreneurship strategy or decisions without that skill set. If a management accountant does not have that skill set, they can obtain that skill by working under a CFO who has worked in that environment before, which will help the management accountant learn the specific skills and experience to handle entrepreneurial strategy and the needs of start-up companies.

To summarize, there were many responses from entrepreneurs as to the effective strategies that management accountants can use to support the innovation of start-up businesses. A few entrepreneurs mentioned that an effective strategy that management accountants can use to support innovation is by assisting with fundraising. Two entrepreneurs mentioned that caring was an effective strategy that management accountants can use to support the innovation of a start-up business. Moreover, other responses included management control systems, streamlining processes, explanation of accounting concepts, being supportive, being a liaison between entrepreneurs and investors, profit margin reporting and assistance, and having a background in entrepreneurship and entrepreneurship strategy.

Data Results for Research Question 4

The fourth Research Question asked: "What are effective strategies that managerial accountants use to support the entrepreneurship in start-up businesses in Southern California?" Table 4 below shows the effective strategies for management accountants to use to support entrepreneurship in start-up businesses.

As noted in Table 4, two entrepreneurs (Entrepreneurs 3 and 8) identified an effective strategy that supports entrepreneurship: having the management accountant understand the meaning of the numbers and be able to communicate and have conversations about the accounting. In other words, to look at the meaning of the numbers and the story of how the numbers affect the business. This includes looking beyond the numbers and looking beyond whether the numbers balance or tie, and understand what they mean and the impact on the company. Entrepreneur 8 mentioned that conversations with their management accountant are important to assess such topics as how the business intends to grow beyond sales, how to use investment dollars, and how to use money wisely. An accountant can add value to a company when they can understandably communicate the financial reporting information and when used effectively by the owner/manager (Marriott & Marriott, 2000).

Table 4 – Entrepreneurs' Response to Effective Strategies for Management Accountants to Use to Support Entrepreneurship in Start-Up Businesses

Strategy	Frequency of Responses
Communication	2
Investor presentation competency	2
Accounting services	2
Transparency	1
Mentorship	1
Financial stewardship	1
Periodic check-ins	1
Accountability	1
Streamlining processes	1

Entrepreneurs 6 and 10 noted that being able to present accounting information to investors is an effective strategy that managerial accountants can use to support the entrepreneurship of a start-up business. Entrepreneur 6 said it was difficult for him to present the financial information to investors in a way to help attract investment in the business. Further, he added that he did not fully understand what it shows and was not aware of too much of the detail. As a result, bringing someone in that has the financial know-how is essential as part of the strategy of the start-up, especially to acquire an investment in the company. Entrepreneur 10 noted that management accountants support a business and help in raising money for the business.

Two entrepreneurs (Entrepreneurs 4 and 11) commented that an effective strategy for management accountants to support the entrepreneurship of a company is to provide the same service that they are currently doing. This service includes day-to-day operations and financial statement preparation, as well as training and tutorials to help with the accounting. The ability to understand and interpret financial statements is essential for decision-making as is having reliable financial information (Van Auken, 2013). Further, without suitable understanding, knowledge, and comfort level in using financial statements, owners will not use the use information effectively (Carraher & Van Auken, 2013).

Entrepreneur 7 commented that an effective strategy that managerial accountants can use to support the entrepreneurship of a business is to be transparent. This entrepreneur mentioned that bigger accounting firms have less transparency; thus, hiring a referred person (not part of a large firm) creates a direct line of communication. Entrepreneur 7 thought it was important to have the management accountant to be referred by a friend or friend-of-a-friend.

Mentorship was mentioned by Entrepreneur 9 as an effective strategy that a management accountant can use to support the entrepreneurship of a start-up business. A management accountant that has experience in an entrepreneurial environment and is well-connected to others is a valuable resource. Entrepreneur 9 viewed their management accountant as not only a person doing the accounting but also as a valuable resource for networking. Their management accountant was able to refer them to such people as lawyers, realtors, and other important professional sources to assist with the goals and success of the start-up business. Further, this entrepreneur commented that a management accountant could add value to the business by being a resource for personnel or services needing to grow, support, and assist with business needs.

Being stewards of money was mentioned by Entrepreneur 1 as an effective strategy that managerial accountants can use to support the entrepreneurship of a start-up business. This entrepreneur commented that their accountant does not stifle entrepreneurship or innovation but is realistic about expenditures. Their accountant does not restrain the business from spending money but focuses on making sure that the entrepreneur is aware of how much money is needed and is constantly working on acquiring money to meet expenditures. This entrepreneur also mentioned balanced entrepreneurship and discipline entrepreneurship, which is working within your capabilities, financially as well as technically.

Entrepreneur 12 mentioned that an effective strategy of a management accountant to support the entrepreneurship of a company would be periodic check-ins. Specifically, the accountant should take the time to check in and see how the company is doing. This entails reviewing the accounting to ensure that categorization is accurate, that the accounting is correct, and the overall financial health of the company is accurate. Entrepreneur 12 also mentioned that having someone help with the accounting to ensure nothing can be messed up is very helpful. For this entrepreneur, it was comforting when her accountant would say things like: “don’t worry about messing anything up, I can always clean it up for you” or “you can’t really mess this up because I can go back and fix it.” This entrepreneur appreciated knowing that if the entrepreneur got stuck on something, or did not categorize something correctly, it could be handled and fixed.

Entrepreneur 2 mentioned that an effective strategy for a management accountant working with a start-up business to support entrepreneurship would be accountability. This entrepreneur mentioned that their accountant is knowledgeable about their business and effectively communicates if there is enough money for research and development and any needed resources. The entrepreneur said that their accountant gave them a little bit of financial freedom without corrupting the business. In other words, "giving us the leash and keeping us accountable."

Streamlining processes is a strategy that Entrepreneur 5 mentioned for a managerial accountant to use with a start-up business. This entrepreneur mentioned that she wants the management accountant not just to have the numbers, but also to be able to communicate that information in an easy-to-understand format, without a lot of detail, but rather at a summary level. This entrepreneur wants to know the meaning of the profitability, revenue, expenses, and growth strategy and does not just seek the numbers but also wants to have conversations about strategy, lessons to be learned, growth initiatives, and impacts of growth. This entrepreneur also expressed the importance of data and the support or background of the data. For example, if they want to expand in a certain territory or move beyond the core business, this entrepreneur wants the data to support the decision to move into that area or away from the core business. This would include strategies and scenarios as well as data to support the decisions. Their accountant is heavily involved in the pricing strategy as well, so the data to support the pricing is essential and critical to the success of the business and includes research on other companies, territories, and growth strategies.

In conclusion, entrepreneurs mentioned numerous effective strategies that management accountants can use to support the entrepreneurship in start-up businesses. Two entrepreneurs mentioned communication as an effective strategy while two others mentioned investor presentation competency. Other strategies noted included transparency, mentorship, financial stewardship, periodic check-ins, accountability, streamlining processes, and providing the same services that they are currently doing.

Other Supplementary Questions Asked

Beyond the four Research Questions mentioned above, the following questions were asked during the interview. The results of these findings can be found below. These other questions included:

- How did you decide to hire a management accountant?
- What are the specific duties and responsibilities of the management accountant that you subcontracted or hired?
- How would you describe the leadership role of the management accountant?
- What would you describe as the disadvantages of hiring or subcontracting a managerial accountant?
- Did you specifically seek out a management accountant for your business, and if so, why?
- In retrospect, would you hire or subcontract a management accountant again? Please explain.

In reference to the question: "How did you decide to hire a management accountant?", in Table 5 below, "Frequency of Entrepreneurs" includes responses from entrepreneurs, and some of the entrepreneurs gave multiple answers to this question. As a result, the frequency is greater than the 12 entrepreneurs interviewed to include all of their responses.

Table 5 – Entrepreneurs' Response in Decision to Hire a Management Accountant

Decision Methodology	Frequency of Entrepreneurs
Day-to-day bookkeeping	6
Recommendation of others	3
Financial statement preparation and reporting	3
Industry experience/background	2
Strategy	1
To oversee the bookkeeper	1
Small business loan assistance	1
Compliance with rules, regulations, and requirements	1
To take pride in numbers	1
To free up resources	1

A full 6 out of the 12 entrepreneurs (Entrepreneurs 1, 3, 4, 8, 9, 10) interviewed decided to hire a management accountant for the day-to-day bookkeeping and to "organize the books." Entrepreneur 3 commented that they hired someone for the day-to-day accounting since they did not have the bandwidth to do so and hiring them freed up resources. Entrepreneur 4 commented that in a start-up company everybody must wear multiple hats and one of the most important hats is not missing paying bills and other day-to-day accounting activities. Therefore, having someone to handle the day-to-day accounting and organize the books is an important part of the business. Medium and small businesses that have a strong management accounting system exhibit healthier overall performance (López & Hiebl, 2015). In contrast, a sign of business failure is the non-utilization of management accounting systems (López & Hiebl, 2015).

Three entrepreneurs (Entrepreneurs 2, 8, and 12) commented that they hired a management accountant because a professional or incubator recommended that they do so. Entrepreneur #8 was part of an incubator and commented that the incubator would recommend the hiring of an accountant to handle their accounting tasks. This incubator has a listing of accounting firms that they recommend; however, entrepreneurs are not required to use these firms.

Three entrepreneurs (Entrepreneur 3, 6, and 7) indicated that they decided to hire a management accountant for financial statement preparation and reporting. These entrepreneurs handled the day-to-day accounting, or had a bookkeeper, and hired a management accountant for financial statement preparation and reporting. The financial reporting responsibilities included external filing, internal reporting, tax compilation, and presentation to investors. Financial statements are among the most important sources of information needed to make informed decisions that will assist in meeting a company's operational and financial goals (Carraher & Van Auken, 2013).

Two entrepreneurs (Entrepreneur 1 and 11) indicated that they hired a management accountant due to their industry experience or background. In other words, they specifically sought out a person with experience in their specific industry or background in that industry. More specifically, Entrepreneur 11 needed someone with experience in governmental accounting and specifically sought out experience in this industry as it was integral to the success of his business and the goals of his company.

He noted that many of the requirements in his industry are strict, and thus he needed someone who knew how to handle the intricacies of the accounting for the reporting requirements.

Other answers included handling tax information, freeing up resources, overseeing the bookkeeper, strategy, cash flow, small-business loan assistance and compliance with rules, regulations, and requirements. Entrepreneur 10 indicated that they hired a management accountant so that someone would take pride in ensuring that the numbers are correct. Entrepreneur 9 mentioned that a management accountant was hired to help with getting a small-business loan. Entrepreneur 5 mentioned that they hired a management accountant to help get them "up and running." Entrepreneur 4 commented how the accounting was a managed action and the accountant helped to "free up resources."

Another interview question asked, "What are the specific duties and responsibilities of the management accountant that you subcontracted or hired?" As noted in Table 6 below, 8 out of the 12 entrepreneurs (Entrepreneurs 2, 4, 5, 6, 8, 9, 10, 11) interviewed commented that the specific duties of the management accountant that they used included day-to-day accounting duties, QuickBooks, General Ledger set-up, the accuracy of financial information, budgeting, financial statement preparation, and being the gatekeepers of the financial data. Accounting software packages, such as QuickBooks, have helped small-business owners with the maintenance of the accounting records (Adams, 2016). Many entrepreneurs noted the duties of the management accountant as paying bills, categorizing expenses, collecting bills, preparing journal entries, and rudimentary financial statement preparation. The management accountants helped to set up the general ledger, cost accounting procedures, procurement procedures, and financial reporting. Entrepreneur 3 noted that the specific duties of the management accountants that they used included funding purposes and to oversee the accounting. Entrepreneur 9 commented that their management accountant was hired initially to set up QuickBooks and then to oversee the accounting.

Four entrepreneurs (Entrepreneurs 2, 3, 7, and 12) commented that the main duty and responsibility of the management accountant was to oversee the accounting. Entrepreneurs 2 and 12 put the accounting information in QuickBooks, and the management accountant would review it to ensure accuracy and determine whether revisions were necessary. Entrepreneur 3 commented that their management accountant oversaw the accounting and reviewed the work of a bookkeeper. In this particular business, the bookkeeper was doing the day-to-day accounting and did not have experience or knowledge beyond that scope. The managerial accountant also assisted with the financial statement preparation and review.

Table 6 – Entrepreneurs' Response to Specific Duties and Responsibilities of Management Accountants

Duties and Responsibilities	Frequency of Responses
Day-to-day accounting, QuickBooks, General Ledger setup, budgeting, financial statement preparation, accuracy of financial information, and gatekeepers of the financial data	8
To oversee accounting	4
For funding assistance	2

Two entrepreneurs (Entrepreneurs 1 and 3) commented that the main duty and responsibility of the management accountant was for funding purposes. Entrepreneur 3 commented that their management accountant created a financial model to get through the scrutiny of Series A fundraising. Entrepreneur 1 indicated that the primary responsibility of their management accountant was to help with funding strategy. The management accountant that this entrepreneur utilized had a background working with entrepreneurs as well as experience in funding and therefore was knowledgeable and helpful throughout the funding process.

Another interview question asked, "How would you describe the leadership role of the management accountant?" As noted in Table 7 below, eight of the entrepreneurs (Entrepreneurs 2, 3, 4, 6, 7, 8, 9, 11) interviewed articulated that their management accountant did not have a significant leadership role. Entrepreneur 6 commented that their management accountant completed their tasks with not much instruction; they gave her the materials, and she completed the tasks. Entrepreneur 2 commented that while their management accountant did not have a leadership role, they assisted the entrepreneur to be more risk-averse. This entrepreneur described the relationship between them and their accountant as "yin and yang." In other words, this entrepreneur indicated that entrepreneurs tend to be risk-happy while accountants tend to be risk-averse. This relationship helps to keep the two in balance.

Entrepreneur 5 described the leadership role of the management accountant as a "quiet" one. This entrepreneur commented that although she is the leader of the organization, she needs leaders in the organization that care about the vision and goals of the business. In a previous company, this entrepreneur grew the business by having key people to help the business grow. As a result, she hires people that care about what the business is doing and where it is going. Therefore, the leadership role of the management accountant was described by this entrepreneur as being present yet quiet.

Table 7 – Entrepreneurs' Response on the Leadership Role of the Management Accountant

Role	Frequency of Responses
No leadership role	8
Minimal/a quiet one	1
Integral part	1
Collaborative	1
Understated	1

Entrepreneur 1 indicated that their management accountant is an integral part of the company. Their Chief Financial Officer (CFO) is a Certified Management Accountant and ensures that their forecast matches reality and is able to explain the financial statements and forecasts to investors. The financial information has to be in the proper format and the CFO ensures that their financial forecast is explained properly to potential investors.

Entrepreneur 12 indicated that the leadership role of the management accountant is collaborative. The management accountant used with this entrepreneur had vast experience in the industry and thus was helpful as being an advisor for the industry, the company, and as a mentor. This particular entrepreneur did not have extensive knowledge in the industry and thus by bringing someone in who did have industry experience was helpful and could be a mentor, and advisor, to the entrepreneur.

Table 8 - Entrepreneurs Response of the Disadvantages of Hiring or Subcontracting a Management Accountant

Disadvantages	Frequency of Responses
Costs	3
Not hiring sooner	2
Minimal accounting work	1
Not seeing the bigger picture	1
Not having a management accountant	1
Time needed	1
Lack of passion	1
Confidentiality	1
Under-utilization	1

Entrepreneur 10 described the leadership role of the management accountant as "understated." They commented on how a strong management accountant understands the numbers and the needs of the people in each department. They need to do the budgets for them and help them with their departmental budgets. It is much more than just being an accountant; it includes understanding the needs of each department, the people of the departments, and all aspects of the business. Accountants are constantly learning about all the department of the business and what they need. Managerial accounting provides useful information from employees to managers (Breuer et al., 2013). Management accountants are often referred to as a "nerve center" of an organization since they significantly contribute to the decision-making and strategic functions of a business (Shuttleworth, 2014).

An additional interview question asked, "What would you describe as the disadvantages of hiring or subcontracting a managerial accountant?" As noted in Table 8 below, responses from entrepreneurs varied and included costs, not hiring soon enough, minimal accounting work, not seeing the bigger picture, time needed, lack of passion, and under-utilization.

Entrepreneurs 4, 9, and 11, indicated that a disadvantage of hiring or subcontracting a management accountant is the cost associated with subcontracting or hiring a management accountant. Entrepreneur 11 commented that when they hired a management accountant, they did not know how much it was going to cost. Entrepreneur 4 mentioned that because the management accountant that they used did not have a background in entrepreneurship, the entrepreneur needed to spend their time explaining the company, industry, and the entrepreneurial environment. Therefore, in this case, not knowing financing, specifically convertible note financing, was a hindrance or disadvantage for this entrepreneur. Entrepreneur 9 noted that if all you could afford was a management accountant with little or no experience with entrepreneurs, then that is what you would get. However, if you could afford a management accountant that has acted in a CFO capacity for start-up businesses, you will get a lot more out of that relationship and skill set.

Entrepreneurs 10 and 6 indicated that a disadvantage of hiring or subcontracting a managerial accountant would be not hiring them soon enough. Entrepreneur 10 mentioned that having the management accountant earlier would have been better. Entrepreneur 6 mentioned that having someone grow with the company is beneficial. This entrepreneur commented that by having a CFO-type person at the beginning that can grow with the company is helpful in positioning resources, talking with investors, and structuring the organization. Notably, with an external accountant, there can be an 8.1% increase in sales growth and a 29% decrease in the failure rate of the business (Barbera & Hasso, 2013).

Contrastingly, Entrepreneur 2 noted that, in the beginning, the accounting work is minimal. Therefore, a full-time person is not needed until the business gets to be about $1.5 million or more. As a result, a disadvantage would be to hire a full-time person too soon.

Entrepreneur 5 mentioned that a disadvantage of hiring or subcontracting a managerial accountant is not looking beyond the day-to-day operations; in other words, not seeing the bigger picture. For example, they did not want their management accountant just to say “no, you cannot do that.” Instead, they wanted the management accountant to say: “what if we did it this way?” or “what if we did this?” or “have you looked at it this way?”. Further, this entrepreneur commented that business is not cut-and-dry and adjustments may be needed, and external factors impact those adjustments. The main goal to build consensus and buy-in is an inquiry into possibilities, concerns, and feelings as opposed to strong advocacy of a particular position (Griffiths, 2014).

Entrepreneur 12 mentioned that not having a management accountant is a disadvantage. While they believe that entrepreneurs should know accounting, having someone do the accounting is helpful as they do not need to spend their time doing it or thinking about it. This entrepreneur mentioned that having someone do the accounting allows them to "walk away and not have to think about it or worry about it." For them, working with start-up-friendly accountants was very helpful. Further, this entrepreneur mentioned that cost was not a disadvantage; however, the lag time between a question being asked and the response was a disadvantage. This entrepreneur felt that this lag time would be better if shortened.

Entrepreneur 1 mentioned that working with an accountant takes time and if an entrepreneur does not have the time to work with a management accountant then time is wasted. This entrepreneur mentioned that working with a management accountant takes time and an entrepreneur needs to take the time to work with them. If the entrepreneur does not take the time to work with the management accountant, then they are wasting their money and time. In summary, not taking the time to work with a management accountant is a disadvantage of hiring or subcontracting a management accountant.

The lack of passion was noted by Entrepreneur 3 as a disadvantage of hiring or subcontracting a management accountant. The entrepreneur indicated that without passion for the business and feeling for what the entrepreneur is going through every single day, the management accountant could not bring the same value to the team as a person who is there, who is fighting along with them. If the management accountant does not feel that passion, then it is just an exercise in numbers. Finding someone to wholeheartedly commit to an organization and who is passionate about their work will aid in building an exceptional team, which is the first step in achieving exceptional performance (Crowley, 2011).

Entrepreneur 7 mentioned that confidentiality could be a potential disadvantage in hiring or subcontracting a management accountant. Having an external accountant that knows a lot about your business might not be as confidential as a person on the inside. This entrepreneur used the example that perhaps the accountant spreads news about the company, even confidentially, to a friend, and then that friend tells someone, and so on. Having that information leak out of the organization could be the downfall of the organization.

Entrepreneur 8 commented that under-utilization of a management accountant is a possible disadvantage of hiring or subcontracting them. He mentioned that start-ups tend to be very hectic and busy. However, some functions/personnel may find themselves with some free time occasionally. When that is the case, the people with some "free time" could take an accounting course and, with a little training, pick up some of the accounting functions and assist the accountant. In times like this, the accountant might be under-utilized because someone else in the organization can complete their tasks. He mentioned that when an organization gets larger, things take care of themselves; however, until then, small teams might suffer from under-utilization of a management accountant as a disadvantage.

Another supplemental interview question asked, "Did you specifically seek out a management accountant for your business, and if so, why?" Per Table 9 below, nine entrepreneurs (Entrepreneurs 1, 3, 4, 5, 6, 7, 8, 9, 11) said they specifically sought out a management accountant for their business. Contrastingly, three entrepreneurs (Entrepreneurs 2, 10, 12) did not specifically seek out a management accountant for their start-up business.

Table 9 - Entrepreneurs Response if Management Accountants Were Specifically Sought

Answer	Frequency of Responses
Yes	9
No	3

Entrepreneur 9 mentioned that they sought someone who could help with receivables, payables, and day-to-day accounting. For this entrepreneur, it was important to have the skill set from the initial hiring so that they could grow with the company and eventually become the CFO. Entrepreneur 1 mentioned that they only hire people through networking, they found their management accountant through such a channel, and they specifically sought out an accountant with entrepreneurial experience. Entrepreneur 5 hired someone she had worked with previously; thus, she understood the accountant’s work ethic, the management accountant grasped the vision of her start-up business, understood her personality, and knew the direction of the company. Entrepreneur 11 mentioned that they were looking for someone with a particular skill set—in their case, experience with grants.

Entrepreneurs 2, 10, and 12 indicated that they did not specifically seek out a management accountant for their business. Entrepreneur 2 commented that they did not specifically seek out a management accountant but supported and guided their business and were good on the financial side. The entrepreneur commented that the management accountants’ talents were complimentary and effective to their start-up business. Entrepreneur 10 mentioned that, in the beginning, they needed an accounting clerk for data entry. However, as the company grew and became more complex, then a management accountant was needed for more advanced accounting functions. Entrepreneur 12 mentioned that they did not seek out a management accountant; the relationship just happened. They admitted that they did not know that there were management accountants until after they hired one and started working with them. This entrepreneur mentioned that having someone from the beginning was helpful.

The last interview question asked, “In retrospect, would you hire or subcontract a management accountant again? Please explain.” Per Table 10 below, 11 entrepreneurs interviewed indicated that they would hire a management accountant again. Entrepreneur 2 indicated that while a financial person is needed for a start-up business, it does not necessarily need to be a management accountant.

Entrepreneur 11 mentioned that they needed help with grants as they can be complicated, and if the financials are not accurate and in the proper format, the business can get fined. He further added that having a management accountant to keep track of the accounting is important to ensure that there are no mistakes. Entrepreneur 12 mentioned that the management accountant became more than just a person to help with the accounting, but also became a good friend. This entrepreneur mentioned that the management accountant they hired was helpful on the accounting side but also on the non-accounting side as well. For this entrepreneur’s business, the management accountant helped to get the business in contact with people they needed, such as lawyers, and to find space for operations, which was very helpful. Entrepreneur 9 indicated that they would hire someone for the day-to-day operations; however, they said that CFOs could be grossly underqualified, so they would be careful about a management accountant’s qualifications in the future. Entrepreneur 7 said that they would hire a management accountant again, but that they would need to have an entrepreneurial background. Entrepreneur 5 said they had specifically sought their accountant out and that is indicative of the fact that they would hire them again.

Table 10 – Entrepreneurs' Response on Whether They Would Hire a Management Accountant Again

Answer	Frequency
Yes	11
No	1

Entrepreneur 2 mentioned that a start-up business always needs a financial person for advising, finance expertise, guidance, support, projections and stock options. However, they commented that they did not necessarily believe it needs to be a management accountant.

Discussion of Findings

Interestingly, many entrepreneurs had similar answers to questions; however, on several questions, they had varied answers. In reviewing all the questions and the responses given, a few common themes emerged. Overall, management accountants are hired for the day-to-day tasks, financial reporting, investor reporting, and for assistance in obtaining funding for the start-up business. Funding, acquiring capital, and acquiring investors are a priority for many entrepreneurs, and management accountants are used to help in that area. Without capital, there is no ongoing operations business, so ensuring that there is enough capital to fund the business venture is a priority. Many entrepreneurs find that the management accountant is best suited when they can go beyond the number crunching and help with non-accounting-related tasks such as having care and passion for the company, building relationships, and entrepreneurial experience.

These findings are supported by Crowley (2011), Barbera & Hasso (2013), and Nwobu, Faboyede, & Onwuelingo (2015). For instance, for care and passion, Crowley (2011) comments that in today's workplace, companies are focusing on innovation and unique differentiation while almost exclusively focusing on people, not the technology, to deliver it (Crowley, 2011). In regard to building relationships, Barbera & Hasso (2013) maintain that it is important to have a strong client and external accountant relationship (Barbera & Hasso, 2013). Moreover, Nwobu, Faboyede, & Onwuelingo (2015) stress that accountants should attend seminars and workshops to understand the requirements of successful small businesses and their financial characteristics (Nwobu et al., 2015).

Care and Passion

Many entrepreneurs mentioned that they wanted a management accountant to care about their company. The entrepreneurs mentioned that they wanted the management accountant to be passionate about the company and know what the company is doing, the direction of the business, and what developments are taking place. In other words, they want the management accountant to look beyond the number-crunching and show passion, care, and concern for the company. One entrepreneur mentioned that if a management accountant cannot "feel" the company and how it works operationally, then the management accountant is not going to see the story of the company in the numbers.

Building Relationships

Several entrepreneurs mentioned that their management accountant helped them tremendously on many non-accounting things, such as finding lab space, introducing them to lawyers, connecting them to potential investors, and putting them in contact with people that could help grow the business. One entrepreneur mentioned that they only hired people that had been referred. Another entrepreneur commented that their management accountant had vast experience in start-up businesses and thus was well-connected in the entrepreneurial arena. As a result, their management accountant could not only provide them with financial assistance, but could also help with non-financial needs such as referrals to lawyers, tax accountants, realtors, and other professionals. Exceptional results can be achieved by the personal connections between people who work together (Crowley, 2011).

Experience in Entrepreneurship

Many entrepreneurs expressed their desire for their management accountant to have an entrepreneurial background. Start-up businesses have idiosyncrasies that may be unique to their company, industry, or development, and having someone with experience in that type of environment is helpful and wanted by many entrepreneurs. Furthermore, most start-up companies are boot-strapped for funds and acquiring capital is a top priority. Therefore, having a management accountant that is familiar with the delicate nature of a start-up business and understanding their distinct situation is important for many entrepreneurs. Many entrepreneurs appreciated having a management accountant that was well-linked with other professionals, and that could help making important connections when other professionals or services were needed.

CHAPTER V: SUMMARY, CONCLUSIONS, IMPLICATIONS, AND RECOMMENDATIONS

In Chapter II, a literature review examined the leadership role of management accountants in relation to innovation and entrepreneurship in start-up businesses. The literature review explored the role of entrepreneurship in the United States, the entrepreneurship role in an economy, and the responsibility of managerial accountants in start-up businesses. Chapter III included a review of the methodology used in the study, which described the leadership role of management accountants as they contribute to the innovation and entrepreneurship in start-up businesses in Southern California. The methodology included a description of the study, research method, research design, the population of the study, determination of the sample population, and instrumentation utilized. Chapter III also included the validity, reliability, and triangulation of data, data collection, data coding, and limitations of the study. Chapter 4 provided a synthesis of the findings from this study, including a discussion of the findings and the recommendations. For Chapter V, a summary is presented in the beginning, followed by major findings of the study, unexpected findings, implications for action, recommendations for further research, and ends with concluding remarks and reflections.

Purpose Statement

The purpose of this qualitative study was to understand and describe the leadership role of managerial accountants as it contributes to the innovation and entrepreneurship in start-up businesses in Southern California.

Research Questions

1 – What is the leadership role of managerial accountants as it contributes to innovation in start-up businesses in Southern California?

2 – What is the leadership role of managerial accountants as it contributes to entrepreneurship in start-up businesses in Southern California?

3 – What are effective strategies that managerial accountants use to support innovation in start-up businesses in Southern California?

4 – What are effective strategies that managerial accountants use to support entrepreneurship in start-up businesses in Southern California?

Methodology, Population, and Sample

The methodology used to understand and describe the leadership role of managerial accountants as it contributes to innovation and entrepreneurship in start-up businesses in Southern California was a qualitative study. A qualitative research method, presented in narrative form, sought to seek and summarize entrepreneurs' stories and experiences. The population for this study was all entrepreneurs in the United States of America. However, since there are millions of start-up businesses in the United States, the total population was not feasible. Therefore, a target population was identified as small businesses in Southern California, specifically, in the San Diego, Orange, and Los Angeles counties and that have been in business less than five years. The sample comprised 12 businesses in Southern California that have been in business for less than five years. The selection of these counties was central to the researcher and allowed for both convenience and accessibility in conducting interviews.

Major Findings

Research Question 1 asked, "What is the leadership role of managerial accountants as it contributes to the innovation in start-up businesses in Southern California?"

Finding I: Management accountants have a minimal role in innovation in a start-up business

The leadership role of management accountants as it contributes to innovation in start-up businesses in Southern California is minimal to non-existent. One entrepreneur commented that unless others, such as external management accountants, are fully immersed in the start-up company, they do not have the intimate knowledge needed to contribute to the innovation of a start-up business. The role of the management accountant is to calculate the costs, understand the costs, appropriately record the costs, enter daily accounting activities, and produce financial statements—none of which contribute to the innovation of the company.

Moreover, some entrepreneurs commented that the management accountants contributed to the innovation of the business through preparing necessary financial statements, freeing up resources, giving support when needed, helping with proposal- and grant-writing, having the technical and financial knowledge, and managing cash flow. While the responses of entrepreneurs were varied, the responses indicate how the role of the management accountant is not only to record, analyze, and prepare financial information, but also includes many other duties and responsibilities such as proposal and technical assistance, being a supportive member of the team, and helping with getting necessary funding to develop and grow a start-up business.

These findings are consistent with Barbero & Hasso (2013), Siegel (2000), and Burns & Vavio (2001). Barbero & Hasso (2013) comment that only highly embedded external accountants can help with survivability and sales growth (Barbera & Hasso, 2013). Further, Siegel (2000) comments that accountants are no longer “bean counters” or “corporate cops” but rather consultants, confidants, and advisors (Siegel, 2000). This concept is also viewed by Burns & Vavio (2001), who note that management accountants were once viewed as “controller” or “score-keeper” instead of “internal business consultants” or “business support” (Burns & Vaivio, 2001).

Research Question 2 asked, “What is the leadership role of managerial accountants as it contributes to the entrepreneurship in start-up businesses in Southern California?”

Finding II: Management accountants have a critical role in assisting start-up companies in acquiring funding.

Many entrepreneurs commented that fundraising was the main leadership role of the management accountant that they hired or subcontracted. These entrepreneurs valued the financial knowledge, input, and presentation that management accountants can give through the funding process. One entrepreneur commented that their management accountant had been a part of the start-up company since the beginning; from kick-starting the company, to selling the company, to seeing them through funding rounds, the management accountant was there to give financial support with each phase. This finding is consistent with Cassar (2009), who comments that the preparation of financial statements is positively related to the level of competition, level of expected sales, and the use of outside funding (Cassar, 2009).

The third Research Question asked, “What are effective strategies that managerial accountants use to support the innovation in start-up businesses in Southern California?”

Finding III: Management Accountants can support the innovation of a start-up business by helping with acquiring funding.

The major finding of this Research Question is that management accountants can help entrepreneurs with their funding. For most entrepreneurs, raising capital is a critical area for their business, for, without the capital needed to fund operations, the start-up business will fail quickly. When asked this Research Question, many entrepreneurs commented that an effective strategy that managerial accountants can use to support innovation in start-up businesses in Southern California would be in the area of fundraising. One entrepreneur commented that management accountants can assist entrepreneurs with cash flow to properly assess the current cash on hand and if more money is needed to fund future operations. Further, another entrepreneur had a similar response, which was that a management accountant can assist with proper budgeting, forecasting, categorizing revenue and expenses, and making strategic decisions.

Research Question 4 asked, “What are effective strategies that managerial accountants use to support the entrepreneurship in start-up businesses in Southern California?”

Finding IV: Management Accountants are needed for financial and non-financial information.

The major finding of this Research Question is that entrepreneurs look to management accountants for more than just financial data. Entrepreneurs commented that effective strategies that managerial accountants can use to support the entrepreneurship in start-up businesses in Southern California include being transparent, understanding the numbers and communicating those numbers effectively, mentoring, stewarding money, having a network readily available, providing accountability, being thoughtful about the start-up, and streamlining processes. In summary, the major finding shows that the role of management accountants reaches beyond mere number-crunching and includes many non-financial duties and responsibilities such as being caring and good communicators.

This finding is consistent with the research by Cretu (2012), Mihăilă (2014), and Marriott (2000). Cretu (2012) notes that management accounting includes financial and non-financial information to reach company goals and to aid in decision making (Cretu, 2012). Mihăilă (2014) comments that managerial accounting involves financial and financial information to meet the needs of business management (Mihăilă, 2014). Moreover, Marriott (2000) mentions that the relationship between an entrepreneur and accountant tends to be long-lasting (Marriott & Marriott, 2000). Many accountants tend to be with the start-up business from inception (Marriott & Marriott, 2000).

Unexpected Findings

As a result of interviewing entrepreneurs in different industries and different counties, many answers were varied. However, many entrepreneurs in various questions underscored the need for a management accountant to care about a company and for their management accountant to have entrepreneurial experience, especially regarding acquiring funding. The unexpected findings were the extent to which management accountants are involved in supporting a start-up business and the critical role in the funding of a start-up company.

An unexpected finding was the degree to which management accountants need to express their care and passion. While it is well-known that people should care about their work, the degree to which many entrepreneurs stressed the need and importance of such in their management accountants was unexpected. These entrepreneurs expressed the desire for their management accountant to look beyond the numbers and look at how those numbers impact the organization and the story that those numbers represent. Many entrepreneurs aspire for their management accountant to keep apprised of their start-up company's events, accomplishments, acquisitions, and other major developments. An unexpected finding was to know that entrepreneurs want someone to look beyond their primary job functions and be diligent about contacting an entrepreneur frequently, especially when there are significant developments.

Further, many entrepreneurs voiced the concern and desire to have a management accountant with a background, or experience, in entrepreneurship. They commented on how this is helpful in getting funding and regarding investor relations. While it is understandable that this would be a priority, it was unexpected as, once again, an entrepreneur would like their management accountant to look beyond the number-crunching and understand the intricacies, and specific needs, of entrepreneurs. Funding is a critical step for a start-up business; therefore, having someone with experience in that area could aid an entrepreneur and their business goals.

Conclusions

The purpose of this study was to explore the leadership role of management accountants as it relates to the innovation and entrepreneurship of start-up businesses in Southern California. This study concluded that management accountants who have background and experience with start-up businesses can improve the entrepreneurship and sustainability of start-up businesses. Furthermore, this study determined that the role of management accountants reaches far beyond the financial data and includes many non-financial areas and duties as well.

Conclusion I: Management accountants can improve the entrepreneurship and sustainability of a start-up business.

The first conclusion drawn from this study was that management accountants with experience and background in start-up businesses can improve the entrepreneurship and sustainability of a start-up business. A management accountant who has experience in working with entrepreneurs, investors, and other essential personnel can provide the financial guidance and assistance critical to a start-up business. A management accountant with experience in start-up companies and investor relations can communicate financial, and non-financial, information to investors and other outside parties in a format conducive and appropriate for investor reporting.

Conclusion II: Management accountants support entrepreneurs in acquiring funding and necessary capital to support the sustainability of their business.

A management accountant can assist with the needed financial tools to acquire investor funding for a start-up business, which is critical to the entrepreneurship and sustainability of a new business. Without funding and the necessary capital to continue operations, a business will fail quickly. A management accountant, with experience and background in entrepreneurship, can provide necessary financial information and direction critical for a start-up business. As a result, a management accountant can increase the success rate of a start-up business in acquiring funding to sustain business operations.

Conclusion III: Management accountants' professional network is critical to the entrepreneurial efforts of start-up businesses.

The duties and responsibilities of management accountants extend beyond the financial data and include non-financial tasks as well. The primary role of a management accountant is to provide necessary, and fundamental, accounting requirements. However, the secondary role of a management accountant is to assist with non-financial needs also. A management accountant is needed to help support a start-up business by keeping in touch with entrepreneurs and networking. Entrepreneurs look to management accountants for not only their accounting knowledge, but also to help support their business by periodically checking in on their accomplishments, goals, and needs. The management accountant can assist the entrepreneur by directing the entrepreneur to specific people to help with their company, such as real estate brokers, lawyers, tax accountants, and other professional services. This conclusion was supported by several entrepreneurs who mentioned that an effective strategy that management accountants can use to support the entrepreneurship of a start-up business is networking and providing resources to strengthen the organization.

Conclusion IV: Management accountants' focus on financials and positive income are the foundation of their services and imperative to start-up businesses' success.

This study concludes that the financial information that management accountants provide are the foundations of their services and aid entrepreneurs with decision-making. Entrepreneurs use financial information to make critical business decisions that are essential to success. The financial information from a management accountant is communicated to potential investors, current investors, and other outside interested parties. Therefore, it is essential that management accountants focus on ensuring that the financial data is accurate, reliable, and timely.

Implications for Action

From this study, the implications for action include training for management accountants in the field of entrepreneurship, establishing a system for periodic check-ins with clients (including a networking base) and expanding knowledge of investor funding. These three items will provide the knowledge, experience, and compassion needed to assist entrepreneurs far beyond the financial data produced. Entrepreneurs need a lot of assistance in the start-up phase of their business, and external consultants such as management accountants can help with many of the critical areas.

Implication I: Entrepreneurial Accounting Courses Must be Updated.

Many colleges and universities teach courses in Financial Accounting, Managerial Accounting, Cost Accounting, Tax Accounting, Accounting Ethics, Accounting Information Systems, Auditing, Intermediate Accounting, and Advanced Accounting. However, few colleges and universities teach courses in Entrepreneurial Accounting. Therefore, students majoring in Accounting, accountants who want to work with entrepreneurs and start-up businesses, and others who want the accounting knowledge for entrepreneurial business, must take an Entrepreneurial Accounting course. It is critical that these courses focus not only on the basic accounting information such as debits, credits, financial statement preparation, and financial analysis but also include a particular emphasis on investor relations and entrepreneurship strategy. Specific emphasis of this course needs to focus on investor relations, investor presentations, and investor communications as well as a specific emphasis on funding, including what is needed to acquire capital and specific presentation and format of financial statements to investors.

Implication II: Entrepreneurial Accounting Textbooks Must be Updated.

Despite considerable research, an Entrepreneurial Accounting textbook that addressed the topic of working with investors, a critical and necessary piece of Entrepreneurial Accounting education, was not found. With the addition of colleges and universities offering Entrepreneurial Accounting courses, Entrepreneurial Accounting textbooks need to be published that focus on basic accounting information with an emphasis on entrepreneurial strategy and investor relations. Textbook publishers need to include Entrepreneurial Accounting textbooks in their textbook selections. Further, these courses need to contribute to the necessary education requirements for the Certified Public Accountant (CPA) and Certified Management Accountant (CMA) designations. Furthermore, conferences and webinars need to include the specific topics discussed in the Entrepreneurial Accounting textbooks such as financial statement communication, investor relations, investor requirements, investor communication, and funding requirements.

Implication III: Management Accountants Need Entrepreneurial Experience.

Mere courses are not going to be enough to understand the intricacies and specific needs of a start-up business. While the educational courses will provide a good foundation, the support, experience, and growth will come from working directly with entrepreneurs. This necessary experience will initially come from working alongside someone who is currently a management accountant working with an entrepreneur. It will take approximately six months to a year of job-shadowing to gain the insight, experience, and intricacies of being a management accounting in an entrepreneurial environment. Moreover, an enhanced experience will come from having a management accountant working directly with the Chief Financial Officer (CFO) for approximately one to two years. This experience will also include working with the CFO in various entrepreneurial endeavors and in various industries.

For college students or new accounting graduates, an internship with an entrepreneur can provide an invaluable experience in entrepreneurship, which benefits both the entrepreneur and the student. With an internship, the entrepreneur gets inexpensive labor through the student while the student gains entrepreneurial experience. Since entrepreneurs are usually boot-strapped for money, this creates a great opportunity for the entrepreneur to get assistance without having to pay for the assistance, or pay them at minimum wage. As a result, start-up businesses with an internship program will reap the benefits of young talent at an inexpensive labor rate.

Implication IV: Establishment of Regular Client Reviews Are Needed.

Management accountants need to establish periodic reviews and communication with entrepreneurs. Management accountants need to set up their calendar, or use a computerized system or app, for periodic check-ins with their current and potential clients. As one entrepreneur mentioned, setting up a system or application that would help to alert the management accountant if their client, or potential client, is mentioned in the news, social media, or other media outlet. Communicating with the entrepreneur about their accomplishments or other newsworthy events is an indicator of the care and compassion that management accountants need to exhibit. Furthermore, by having a wide network of professionals to draw upon, a management accountant can utilize this periodic check-in communication to refer people in their network. For instance, if a management accountant reads that the start-up company they are working with is looking for office space, the management accountant could refer a real estate broker to them. Or, if the entrepreneur posted on social media that they are in need of someone with grant-writing experience, the management accountant could refer someone that they worked with in the past and with whom they had a good experience.

Implication V: Management Accountants Must Have Investor Funding Knowledge.

Management accountants need to have a certain knowledge and understanding of funding requirements and the funding needs of entrepreneurs and investors. Management accountants must have intimate knowledge of the funding needed for the entrepreneur to pursue their goals and future operations. Without that information, future operations may have excess cash, or worse, not have the cash resources to fund future operations at all. As a result, it is essential that management accountants be intimately familiar with the cash flow needs and requirements of the start-up business. As a trusted business advisor, the management accountant is an integral part of the financial success of a start-up business. Management accountants should have periodic reviews of the accounting needs and requirements, especially cash flow, and communicate this financial information to entrepreneurs in a timely fashion. Further, management accountants must have education in entrepreneurial accounting and accounting experience in the entrepreneurial industry. With the education and experience, management accountants will gain the knowledge and experience in investor funding which is critical to an entrepreneurial business.

When the management accountant and entrepreneur agree on the necessary capital to fund future operations, investor funding pursuits can be made appropriately. In other words, you cannot ask someone for money without telling them how much you need or want. As a result, management accountants must be familiar with the requirements of entrepreneurs and be able to communicate this information to investors adequately. In other words, management accountants need to know the proper financial statements to present and in the proper format—for instance, understanding whether the investors would like simply a Balance Sheet and Income Statement, or a Balance Sheet, Income Statement, and Cash Flow Statement, or Income Statement and Cash Flow. Another example would be knowing whether the investors prefer cash-basis, accrual-basis or both.

Implication VI: Management Accountants Are an Integral Part of a Start-Up Business.

Entrepreneurs need to outsource their accounting functions to experienced, skilled management accountants to help with their day-to-day accounting activities, financial statement preparation, and investor reporting and funding. To assist with successful investor funding, an entrepreneur needs to outsource their management accounting from inception. By working together early on, the entrepreneur and management accountant can foster a close relationship and work with each other as the company expands, constricts, and fluctuates over time. The entrepreneur needs to lean on their management accountant for financial and non-financial advice, while the management accountant supports and guides the entrepreneur. With a high failure rate among start-up businesses, an entrepreneur can improve this success rates by having a management accountant to help with financial guidance, investor reporting, and financial reporting.

Implication VII: Entrepreneurs Must Have a Deeper Understanding of Accounting.

Entrepreneurs need to understand their financial information. For example, many entrepreneurs in this study confessed that they do not fully understand, or know, what the accounting information is telling them. While entrepreneurs do not necessarily need to do the accounting themselves, they must be aware of what the financial information means, and what the information is communicating. As a result, entrepreneurs need to have at least one semester of Entrepreneurial Accounting to fully understand accounting, its purpose, and its impact on entrepreneurial business success. Without sufficient knowledge, an entrepreneur has information that is irrelevant and useless.

Recommendations for Further Research

The four recommendations for further research include a comparative analysis of entrepreneurs regarding geographic location, specific investor requirements, a comparative analysis of industries, and entrepreneurial priorities. With a small percentage of successful start-up businesses surviving, there is a need to look at the underlying issues faced by entrepreneurs. Until there are solutions and adequate research to this failure, the cyclical nature of success and failure will continue.

Recommendation I: Geographic Comparison

It is recommended that a qualitative study be conducted to explore entrepreneurs' view of management accountants in other parts of California, such as Northern California or Central California, and other parts of the United States of America. Further research should examine the role of management accountants in start-up businesses in other parts of the state and country and determine whether there are similarities and differences. For instance, further research should look at the role of management accountants in geographic areas to assess whether the role of the management accountant is similar among areas, or if there are differences. In other words, do management accountants in Southern California play the same role in start-up business as those in Northern California?

Recommendation II: Investor Relations

It is recommended that a phenomenological study be conducted to explore and explain the role of management accountants working with business investors. This research would include the specific skills, abilities, and knowledge that management accountants should have regarding investor relations, investor funding, and other investor requirements and needs. By understanding the needs of investors, management accountants could assist entrepreneurs with an essential part of their business: funding.

Recommendation III: Industry Comparison

It is recommended that a quantitative study be conducted to examine the differences in the requirements of entrepreneurs in different industries. For instance, in this study, one entrepreneur needed someone with a particular skill set in grants and funding of those grants. Therefore, a further study could look at entrepreneurs in terms of industry and whether they have certain requirements or needs different from those in different industries.

Recommendation IV: Entrepreneur Priorities

Additionally, other studies could look at the ranking of priorities, wants, and needs of entrepreneurs in which a management accountant could assist. For instance, if a study looked at the ranking of priorities of entrepreneurs, management accountants could rank their priorities and listing of skills, abilities, and knowledge needed in the entrepreneurial industry. By understanding the needs of entrepreneurs, management accountant could further assist and support entrepreneurs in their business and their business goals.

Recommendation V: Accountant Comparison

This study looked at entrepreneurs' view of management accountants. A future study should look at the reverse; the management accountants view of entrepreneurs. Therefore, it is recommended that a qualitative study be conducted to explore management accountants view of entrepreneurs. This study should focus on the needs and requirements of management accountants and how entrepreneurs can help facilitate and facilitate the relationship.

Recommendation VI: Impact of Relationship Over Time

A Delphi study should be conducted to explore 20 successful entrepreneurs over ten years and their relationship with the management accountant. This study should explore the entrepreneur, their product or service, and what facilitated their success, and the role of the management accountant as it relates to the success. This Delphi study would follow the start-up from inception to the ten-year mark, which would confirm the continuity and sustainability of the company.

Concluding Remarks and Reflections

This study was more difficult than anticipated. While I knew that entrepreneurs were busy, I thought that entrepreneurs would be willing to share their experiences. What I found was that the ones that did participate were very friendly and helpful, and graciously shared their time and experiences. To them, I am eternally grateful for their honesty and willingness to participate in this study.

Initially, I had posted the following request on my personal LinkedIn page and Facebook page:

As many of you may know, I am currently pursuing a doctoral degree at Brandman University (part of the Chapman University system) in Organizational Leadership and Change. As part of my dissertation, I am actively seeking participants for my study on the leadership role of management accountants in start-up businesses in Southern California.

The purpose of this research is to explore the role of managerial accountants, who can not only help owners with start-up business accounting requirements but also contribute leadership and guidance to help the success rate of start-up businesses. This study could help entrepreneurs to understand when, and how, to seek external consultants, specifically managerial accountants. With a high failure rate among start-up businesses, this research could help entrepreneurs utilize managerial accountants to foster growth, innovation, entrepreneurship, goal setting, sustainability, survivability, and many other valuable tools to succeed in business.

For this study, I am seeking entrepreneurs who have started a business within the past five years, have utilized a management accountant (on a full-time, part-time, or consultant basis), are located in the Orange, Los Angeles, or San Diego counties, and are graciously willing to voluntarily participate in an interview which will last approximately 45 minutes. If you are such an entrepreneur or know someone who would be willing to participate, please have them e-mail me at pedwards@mail.brandman.edu or call me at xxx-xxx-xxxx. Your assistance is greatly appreciated.

What was surprising was that only person responded to this request. Most of the interviews were completed by going to incubators and soliciting participation. Three interviews were referred by a Certified Management Accountant who had been working with entrepreneurs for several years and asked his clients for participation. One of the interviews was a referral from a friend who just started working for a start-up company. The entrepreneurs who did participate were great purveyors of information and knowledge.

My take-away from this experience was to be proactive and to not sit by and idly wait for the phone to ring, or an e-mail to pop up. You must enthusiastically go to meetings, incubators, offices, and diligently pursue participants. My compassion was increased to be more aware of when someone needs help, is looking for help, or ways in which I can help.

Overall, I thought this study was meaningful in learning more about entrepreneurs' wants and needs and just how much funding is a critical focus of an entrepreneur's life. Without funding, a start-up business cannot sustain continuing operations and will contribute to the already high failure rate among start-up businesses. If management accountants can aid in the funding process and provide services to increase the probability of funding, they will play an essential role in the entrepreneur's small-business goals.

Furthermore, management accountants must be diligent in being passionate about their clients' business goals, direction, and accomplishments. In my opinion, this concept can apply to not only management accountants working with entrepreneurs but also to management accountants working in large businesses as well. Moreover, this concept applies to everyone in the workplace. Being passionate and caring for your employer is an exceptional trait of any employee to have, whether a management accountant, janitor, or president. Everyone should take pride in their work, their workplace, and the goals of an organization.

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APPENDICES

APPENDIX A

Interview Script

Welcome! Thank you for taking the time to meet with me regarding this study. The goal of this study is to understand the leadership role of management accountants as it contributes to the innovation and entrepreneurship of small businesses in Southern California. There may be additional follow-up questions asked of the participants for clarity and/or detail.

Interviewer: Paula L. Edwards

Interview time planned: Approximately 45 minutes

Interview place: Venue of participant's choice

Recording: Digital voice recorder

Written: Field and observational notes

Opening Comments: Based on the information you have received via email and/or telephone conversation, you understand that this study is designed to explore the entrepreneur's perspectives about their experiences with management accountants in their start-up business.

I would like to thank you for your participation in this study. Information from this one-on-one interview will be included in my dissertation. To address privacy concerns, your identity will not be revealed and will remain confidential. Although you have signed the consent form to participate in this study, you may choose to withdraw your consent at any time. If at any time you do not understand the questions being asked, please ask for more of an explanation to clarify the question. Do you have any concerns or questions before we begin?

Questionnaire

1. How did you decide to hire a management accountant?
2. What are the specific duties and responsibilities of the management accountant that you subcontracted or hired?
3. How would you describe the leadership role of the management accountant?
4. What was the leadership role of the management accountant as it contributed to the innovation of your company?
5. What was the leadership role of the management accountant as it contributed to the entrepreneurship in your company?
6. What would you describe as effective strategies that managerial accountants can use to support the innovation of your business?
7. What would you describe as effective strategies that managerial accountants can use to support entrepreneurship of your business?
8. What would you describe as the disadvantages of hiring or subcontracting a managerial accountant?
9. Did you specifically seek out a management accountant for your business, and if so, why?
10. In retrospect, would you hire or subcontract a management accountant again? Please explain.

APPENDIX B

Synthesis Matrix

	Themes							
References	History	Economy	Use of Management Accountants	Accounting in Decision Making	Innovation	Leadership	Survivability	Qualitative Research
Adams - Dissertation - Accounting strategies for small business law firms' sustainability		X	X	X			X	
Ahrens & Chapman - Doing qualitative field research in management accounting: Positioning data to contribute to theory								X
Alsaaty - The cycles of births and deaths of US employer micro firms		X					X	
Altman - Implications of behavioural economics for financial literacy and public policy				X				
Autio, Kenny, Mustar, Siegel, Wright - Entrepreneurial innovation: the importance of context		X			X			
Ayala, Manazano - The resilience of the entrepreneur, influence on the success of the business. A longitudinal study				X			X	
Banham, He - Exploring the relationship between accounting professionals and small and medium enterprises (SME)						X		

Barbera & Hasso - Do we need to use an accountant?			X	X			X		
Beaver: Small business success and failure		X			X		X		
Becket - Stop the rot							X		
Bengesi - Strategic entrepreneurial respnose of small and medium enterprises		X					X		
Bennett, Smith - The influence of location and distance on the supply of business advice			X	X					
Berryman- Small business failure and bankruptcy			X	X		X	X		
Breuer, Lesconi, Frumusanu, Manciu - The role of management accounting in the decision-making process			X	X					
Bullough, Renko - Entrepreneurial resilience during challenging times		X							
Cardon, Shinnar, Eisenman, Rogoff - Segmenting the population of entrepreneurs: a cluster analysis study	X	X							
Carey - External accountants' business advice and SME performance			X	X					
Carraher, Van Auken - The use of financial statements for decision making by small firms			X						
Carsamer - Promoting entrepreneurial development among SMEs through financial management in Ghana		X					X		
Cassar: Financial statement and projection preparation in start-up ventures				X			X		

Casson & Casson - The history of entrepreneurship: medieval origins of a modern phenomenon	X							
Castellan: Quantitative and qualitative research: A view for clarity								X
Chenail: Interviewing the investigator: Strategies for addressing instrumentation and researcher bias concerns in qualitative research								X
Christner, Stromsten: Scientists, venture capitalists and the stock exchange: The mediating role of accounting in product innovation					X			
Creswell, Miller - Determining validity in qualitative inquiry								X
Cretu, Gheonea - Managerial accounting - A necessity for business success			X	X				
Davila, Foster - Management accounting systems adoption decisions: Evidence and performance implications from early-stage/startup companies			X	X			X	
Davila, Foster, Oyon - Accounting and control, entrepreneurship and innovation: Venturing into new research opportunities			X	X	X		X	
Decker, Haltiwanger, Jarmin, Miranda - The role of entrepreneurship in US job creation and economic dynamism	X	X						
Dela Cruz - Understanding entrepreneurial leadership and roles: An exploratory study of Filipino American entrepreneurs managing a sustainable business venture in Alaska		X				X		

East - The business entrepreneur in a changing colonial economy, 1763-1795	X								
Eberstadt - What history tells us about corporate responsibility	X								
Fory - The management accountant's leadership role			X	X		X			
Gill, Biger - Barriers to small business growth in Canada		X							
Halabi, Barrett, Dyt - Understanding financial information used to assess small firm performance : an Australian qualitative study			X	X					
Hess, McNab, Basoglu - Reliability generalization of perceived ease of use, perceived usefulness and behavioral intentions								X	
Koyagialo - Small business survivability beyond five years		X					X		
Lavrakas - Encyclopedia of survey research methods								X	
Lopez, Hiebl - Management accounting in small and medium-sized enterprises: Current knowledge and avenues for further research			X				X		
Lowder - The dominant logic of entrepreneurial strategic leadership: A phenomenological study of entrepreneurs, consultants, and bankers		X							
Marius, Denisa, Florina - Managerial accounting – A source of information for an efficient management in SME						X			
Marriott, Marriott - Professional accountants and the development of a management accounting service for the small firm: Barriers and possibilities			X						

McKee, Johnston, Boyatzis - Becoming a resonant leader: Develop your emotional intelligence, renew your relationships, sustain your effectiveness						X			
McMillan, Schumacher - Research in education: A conceptual introduction								X	
McMillan, Schumacher - Research in education: Evidence-based inquiry								X	
Mihăilă - Managerial accounting and decision making, in energy industry			X						
Mitchel, Reid - Problems, challenges and opportunities: The small business as a setting for management accounting research		X							
Morse, Barrett, Mayan, Olson, Spiers - Verification strategies for establishing reliability and validity in qualitative research								X	
Moua - Culturally intelligent leadership: leading through intercultural interactions						X			
Ng, Harrison, Akroyd - A revenue management perspective of management accounting practice in small businesses			X		X		X		
Nwobu, Faboyede, Onwuelingo - The role of accounting services in small and medium scale businesses in Nigeria		X	X	X					
Palinkas, Horwitz, Green, Wisdom, Duan, Hoagwood - Purposeful sampling for qualitative data collection and analysis in mixed method implementation research								X	

Patten - Understanding research methods: An overview of the essentials								X
Patton - Qualitative research and evaluation methods								X
Plummer - Examining the relationship between entrepreneurial orientation and the use of business advisory services by small and medium-sized businesses	X	X		X			X	
Price, Murnan - Research limitations and the necessity of reporting them								X
Roberts - The dissertation journey								X
Romero, Martinez-Roman - Self-employment and innovation. Exploring the determinants of innovative behavior in small businesses					X			
Schoar - The divide between subsistence and transformational entrepreneurship							X	
Shabaya - Factors that influence entrepreneurs to seek external expertise	X		X					
Siegel - The image of corporate accountants			X			X		
Sofaer - Qualitative research methods								X
Starr - Qualitative and mixed-methods research in economics: Surprising growth, promising future								X
Schwarz - The skilled facilitator: A comprehensive resource for consultants, facilitators, managers, trainers, and coaches						X		

	Shuttleworth - Perspectives of accounting students and teachers on the changing role of management accountants in organisations			X	X		X			
	Van Auken, Carraher - Influences on frequency of preparation of financial statements among SMEs			X	X			X		
	White, Harvey, Fox - The politically intelligent leader: Dealing with the dilemmas of a high-stakes educational environment						X			
	Yoshikawa, Weisner, Kalil, Way - Mixing qualitative and quantitative research in developmental science: Uses and methodological choices								X	
	Zehr - Entrepreneurial qualities for successful development and sustainability of new small and medium-sized enterprises	X	X					X		
	Zimmerman - Exploring the role of bookkeeping in business success	X	X	X	X			X		