

Social capital and budgeting in a local church

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Abstract

Purpose – The purpose of this paper is to examine the budgeting process in a local church from a social capital perspective. The social capital provides novel insights into the construction of budgets and its social aspects.

Design/methodology/approach – A qualitative case study was adopted, with an interpretive methodology. Semi-structured interviews were used to interview 14 managers involved in the budgeting process at a local independent church. The interview data were supplemented by documentary evidence. Nahapiet and Ghoshal's 1998 framework of social capital was used to analyse the data.

Findings – The main finding was that budgeting was found to be a social process - that can best be explained by social capital theory.

Research Limitations - There may be an element of self-selection, as the church agreed to participate in the study and chose to allow a researcher to examine social aspects of its budgeting process.

Practice Implications - This study may be of interest to managers involved in the budgeting process, and those setting budget-related policy in a church, as it highlights the social side of the budgeting process. Educators involved in teaching could include the findings in a case study to be used in the classroom.

Originality/value – The paper contributes to both social capital theory and church literature. Social capital provides novel insights into the construction of budgets and its social aspects. In addition, contemporary budgeting practices are studied in a church in a denomination and country not previously studied.

Keywords church, social capital, budgeting process, budgeting, New Zealand

Paper type Research paper

1 Introduction

The budgeting literature is broad, varied and has been studied from different research paradigms (Covaleski, Evans, Luft and Shields, 2003; Bower, 2017; Kurt and Feng, 2019; O'Grady, Akroyd and Scott, 2017). In this paper, budgeting in a church is examined from a social capital perspective. The church, Fountain Springs¹, is an independent Pentecostal church that was founded in the 1970s and is located in New Zealand. In a church, setting objectives, the allocating of resources, and getting feedback on spending, contribute to the achievement of spiritual aspirations (Bower, 2017). In the process, budgeting fosters cooperative behaviour and both strengthens and reinforces social capital. Very little seems to have changed in how resource allocation in budgeting is discussed (Bower, 2017). Carmona and Ezzamel (2006) recognise the lack of exploration into accounting and religion by stating "research on the relationship between accounting and religion or religious institutions is in short supply" (p.117). McPhail et al., (2004) point out that accounting academe has neglected to take theology seriously. McPhail and Cordery (2019) also argue that the literature has yet to engage with the fundamental challenge that lies at the core of the accounting and theology. McPhail and Cordery (2019) also articulate that new paradigms should be utilised in analysing how religious organisations/ spirituality approaches accounting and transforms it. The tendency has also been towards the use of Laughlin (1988, 1990) and Booth's (1993) orientation to view the phenomena of religion sociologically. In contrast, we use an interpretive paradigm and study budgeting from a social capital perspective to accomplish spiritual aspirations.

In the budgeting and social capital literature, three studies (Chenhall, Hall, and Smith, 2010, 2012; Vieira, Ha, and O'Dwyer, 2013) were located investigating social capital in management control systems (MCS). In these three studies, budgeting is covered as part of a MCS, but the influence of social capital on the budgeting *process* is not specifically referred to. The actual process of budgeting using social capital to accomplish spiritual aspirations remains less well understood. Social capital includes the social connections, attitudes, norms and institutions that gives church members a sense of belonging. Social capital is used in this paper because it allows a group of people to work together effectively to achieve a common purpose of participation in the budgeting process. It allows a group of people to function together as a whole through trust and shared identity, norms, values and mutual relationship. Social capital is different from other forms of capital in that it resides in social relationships whereas other forms of capital can reside in the individual (Robison et al., 2002). Social capital also emphasises on trust, norms and network, which are an essential component of social cohesion (Putnam, 1993). Other frameworks tend to emphasise relatively less on network ties, trust, norms, shared narratives which is amplified by social capital perspective. Nahapiet and Ghoshal (1998) define social capital "as the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit" (p.243). Social capital thus constitutes both the network and the assets that may be mobilised through that network (Bourdieu, 1986). There is an absence in the literature regarding the examination of

¹ Used as a pseudonym

the influence of social capital on the budgeting process (or vice versa) in a church. Social capital is a sensitising theoretical perspective and viewed as a 'skeletal theory'. The empirical evidence from the case study adds richness to the social capital perspective. Hopwood (1983), on a similar note calls for understanding accounting in the social context in which it operates. The social context entails relationships and is not merely technical. Also, significant emphasis seems to have been placed on Laughlin's (1988, 1990) and Booth's (1993) orientations in religious organisations. Laughlin (1988) examines the social and technical aspects that are amplified through a specific study of the accounting systems in the Church of England. Laughlin's (1990) study brings the literature on accountability closer to certain studies in accounting addressed to understanding the current practices in the organisational context in which they are exercised. Laughlin (1990) summarises the current 'skeletal' theoretical insights concerning accountability in practice and then 'fleshes' out this model by looking at the specific financial accountability practices at a Church. Booth's (1993) call for study on churches is deemed to add to our understanding of accounting as a situated practice. Booth (1993) proposes that the dominant position of religious beliefs be amplified in any attempts to understand organising and management of churches. This present study aims to examine the budgeting in a local church from a social capital perspective.

Boland and Pondy (1983) argue that accounting, and by implications budgeting, is both a natural and rational process, and that both processes are needed in organisations. However, management accounting textbooks tend to focus on the rational process, that is on the technical and normative aspects of budgeting. The natural and social aspects of budgeting show interactions between organisational participants in negotiating budgets (Meyers, 1996). We believe that the social aspects of budgeting are not largely explored in the extant literature, particularly in relation to social capital theory. Social capital, as discussed previously, is used in the paper as it allows a group of people to work together effectively in relation to the calculative practice of budgeting process. Social capital theory has been considered in this study for its ability to shed light on the social aspects of budgeting. Our paper aims to fill this gap in the literature.

The remainder of this paper is structured in the following way. Section two introduces the relevant literature on budgeting. Section three explains Nahapiet and Ghoshal's (1998) framework, and how their framework was adapted for this study. The research method is explained in section four, and the case study organisation, Fountain Springs (FS) [1], is introduced. In section five, the case study findings are examined and analysed using the adapted social capital framework. The case study findings are discussed in the sixth section. Section seven concludes the paper.

2. Budgeting

Budgets are management tools most pervasively utilised in organisations for resource allocation decisions (Davila and Wouters, 2005; Bower, 2017; Lawrence and Sharma, 2002). The role that social aspects play in the budgeting process of organisations with varied scopes has been rarely researched (Parker and Kyj, 2006). Budgeting participation provides managers and employees with an opportunity to intentionally influence budget targets (Irvine, 2005).

The process of setting budgets is considered to be a cornerstone of management control systems in most firms (Kramer and Hartmann, 2014). Budgets can be set as a target to be achieved and as a means of objectifying the vision of the organisation (Irvine, 2005). For instance, Irvine (2005) examines attitudes to budgeting in a local church and considers potential conflict between the “sacred” agenda for the church and the “secular” nature of accounting. She shows budgeting as an enabling and liberating contribution to a church’s fulfilment of its spiritual mission. Budgeting has been shown to provide a valuable linkage between the conception of a church’s goals for the coming year, and the resourcing of these goals (Lightbody, 2000).

Firms introduce management control systems (MCS), including budgets, when they first invest in control (Gibb and Scott, 1985; Lyne, 1988; Sharma et al., 2010)². The choice of MCS manifests firms’ strategies and shows that firms that choose and initiate MCS better suited to their strategy perform better than others (Nath and Sharma, 2014; Sharma et al., 2014; Soobaroyen et al., 2019; Sharma and Frost, 2020). In relation to control, individuals with difficult but attainable goals perform better than those who have less difficult goals (Kenno et al., 2018). The less difficult goals are chosen by managers to create budgetary slack (Davila and Wouters, 2005).

Merchant (1985) notes that the propensities to create budgetary slack are lower where managers participate actively in budgeting. The budget process might also lead to sub-optimisation within the organisation, as departmental managers often are too keen to improve their own department without considering how this may fit with the broader strategic goals (Hope and Fraser, 2003). Merchant (1990) notes that the pressure to meet financial targets can shape manipulation of short-term performance measures and encouragement of a myopic, short –term orientation.

The critical literature, however, suggests that budgets can be used for political gains and for the purpose of control and domination by management (Kuruppu et al., 2016). The use of fair budgeting leads to improved subordinate performance. Libby (1999), for example, explained that a combination of voice and explanation by subordinates led to improved performance. In the budget-setting process, members may be able to negotiate their way through the budgeting process, which enhances social capital (Hauriasi et al., 2016). Some commentators have examined a model of vertical information sharing between superiors and subordinates in the budgeting process (see Parker and Kyj, 2006). Upward information sharing embodied the re-creation of private information by subordinates to superiors. Superiors generally encourage participation when budget goals are used in the performance evaluation of subordinates, because of concerns about organisational justice (Parker and Kyj, 2006).

There have been studies carried out in the field of budgeting in religious not-for-profit organisations, specifically in denominational churches. Some of this work investigates budgeting practices in the head office of a denominational church (Lightbody, 2000, 2003), whereas others have studied the process of budgeting in a local church (Irvine, 2005; Kluyers, 2001). In contrast, Hauriasi, Van-Peursem, and

² Management and budgetary control is a process for managers to set financial and operational objectives with budgets to compare actual results, and adjust performance accordingly.

Davey (2016) report on budgeting practices at all levels in the Anglican Church of Melanesia. Irvine (2005) and Lightbody (2000) view budgeting as an enabling and liberating contributor to a church's fulfilment of its spiritual vision. Kluvers (2001) considers power and control in budgeting as well as culture and change factors. Irvine (2005) analyses belief systems and the sacred-secular dichotomy in a church. In Irvine's (2005) study, "the budget was never to take over as an end in itself, but always to be subservient to the vision" (Irvine, 2005, p.225). This study builds on this limited literature on budgeting in church. Very little seems to have changed in how resource allocation in budgeting is discussed and this paper seeks to add to the budgeting process literature from a social capital perspective.

Positioning our Study

Three papers were located that refer to social capital and budgeting in an organisation. However, neither of the three papers study social capital in the budgeting process, nor study social capital and budgeting in a local church. Chenhall *et al.* (2010, 2012) research social capital in MCS in an Australian nongovernment organisation. They adopt three taxonomies of MCS, two of which include budgets as a component of the MCS. Budgets are included as a part of a formal MCS (Chenhall and Morris, 1995), and as part of a diagnostic control system, one of Simons' (1995) four levers of control (Chenhall *et al.*, 2010). Chenhall *et al.*, (2012) field study of non-government organisation examines how the debates, critiques and struggles over the choice of different metrics can have beneficial and damaging effects on social capital in non-government organisation. However, the focus of their study is on links between MCS and social capital, with budgeting addressed indirectly as a component of MCS. Vieira *et al.* (2013) investigate the interplay between MCS and social capital in a social enterprise in Vietnam. In doing so, they adopt a similar approach to Chenhall *et al.* (2010). Neither Chenhall *et al.* (2010, 2012) nor Vieira *et al.* (2013) address the budgeting process per se or the influence of social capital on the budgeting process.

Participative budgeting where relational aspects of the budgeting is shown has been in the literature (Covaleski *et al.*, 2003). Covaleski *et al.*, (2003) note that participative budgeting is where the employees communicate private information about local conditions to the owner and these reports influence the organisations' production plans and the employee's compensation. The owner has the choice as to whether to base the employee's compensation, in part, on the employee's communication about local conditions. In making this decision, the owner knows that the employee has superior information about local conditions, but the employee also has the ability and incentive to manipulate his report to create budgetary slack. However, more studies are needed to better understand the budgeting in the social context in which it operates (Hopwood, 1983). Thus, this present study examines budgeting practices in a local church from a different perspective to the commonly sacred-secular dichotomy – by drawing on social capital theory.

3. Theoretical Framework

3.1 Social Capital Theory

Nahapiet and Ghoshal's (1998) framework of social capital was used as a theoretical basis for the study as it allows the study of social capital within an organisation (Subramaniam, Stewart, Ng and Shulman, 2013). Accordingly, Nahapiet and Ghoshal's (1998) framework is suitable for studying the budgeting process in an organisation, as budgeting occurs internally within an organisation. Our application of social capital as a model to guide our analysis is a key contribution of this study. Nahapiet and Ghoshal's (1998) framework has been applied empirically to a number of business forms such as family firms (Pearson, Carr, and Shaw, 2008), corporates (Hatzakis, Lycett, Macredie, and Martin, 2005), and small and medium enterprises (Fuller and Tian, 2006). In addition to the structural and relational dimensions of social capital, Nahapiet and Ghoshal's (1998) framework includes a cognitive dimension. Nahapiet and Ghoshal indicate that the inclusion of a cognitive dimension covers aspects of social capital "not yet discussed in the mainstream literature on social capital" (Nahapiet and Ghoshal, 1998, p. 244). This cognitive dimension allows for a more comprehensive analysis of social capital in an organisation, as it takes into account aspects of social capital arising from a shared context such as shared vocabulary and shared narratives. Nahapiet and Ghoshal's (1998) framework can be viewed as a "skeletal theory" (Laughlin, 1995, p. 81), requiring "empirical flesh" to make it "meaningful and complete" (Laughlin, 1995, p. 83).

Nahapiet and Ghoshal's (1998) framework is displayed in Table 1. In their framework, social capital is viewed as occurring in three clusters or dimensions: the structural; the cognitive; and the relational. They acknowledge that the three dimensions are not separate but are highly interrelated entities.

Table 1. Nahapiet and Ghoshal's (1998) framework

Structural Dimension	Cognitive Dimension	Relational Dimension
Network ties	Shared language and vocabulary	Trust
Network configuration	Shared narratives	Norms
Appropriable organisation		Obligations and expectations
		Identification

The structural dimension concerns "the overall pattern of connections between actors – that is, who you reach and how you reach them" (Nahapiet and Ghoshal, 1998, p. 244). This dimension consists of three elements: network ties; network configuration; and appropriable organisation. Network ties work on the premise that "who [sic] you know" affects "what you know" (Nahapiet and Ghoshal, 1998, p. 252). Efficient network ties provide information benefits in terms of access (receiving valuable information and knowing who to pass it on to); timing (receiving information sooner than others); and referrals (the provision of information on opportunities to others in the network). Network configuration relates to the configuration of network

ties and impacts the accessibility of information. Nahapiet and Ghoshal (1998) argue a sparse network of diverse contacts may provide more information benefits than a dense network of less diverse contacts. An appropriable organisation occurs when social capital such as ties, norms, and trust developed in one setting can be transferred to another setting.

The relational dimension refers to “those assets created and leveraged through relationships” (Nahapiet and Ghoshal, 1998, p. 244). This dimension is concerned with personal relationships that develop over a period of time. There are four elements to the relational dimension: trust; norms; obligations and expectations; and identification. Trust is the confidence that the end result of another person’s intended action will be fitting from ‘our’ perspective. Norms represent “a degree of consensus in the social system” (Nahapiet and Ghoshal, 1998, p. 255), and are an important aspect of social capital (Cohen and Prusak, 2001). Norms noted by Nahapiet and Ghoshal (1998) include openness, teamwork, cooperation, transparency, and a tolerance of failure. Obligations involve “a commitment or duty to undertake some activity in the future” (Nahapiet and Ghoshal, 1998, p. 255), and can be thought of as a ‘credit slip’ held by one individual to be fulfilled by another (Nahapiet and Ghoshal, 1998). Expectations are obligations that exist between two people, as there is an expectation that the ‘credit slip’ will be honoured. The fourth element, identification, relates to how individuals identify or “see themselves as one” (Nahapiet and Ghoshal, 1998, p. 256) with others or with a group. Identification can occur through group membership, or where an individual adopts the values and standards of other people or groups. Identification results in a heightened concern for the group and may enhance cooperation.

The cognitive dimension has to do with “those resources providing shared representations, interpretations, and systems of meaning among parties” (Nahapiet and Ghoshal, 1998, p. 244). This dimension focuses on those aspects of social capital that provide a shared context in an organisation, for instance, a shared language and vocabulary, and shared narratives (myths, stories, and metaphors). Shared language such as shared terminology enables those in a particular field to communicate more easily. Shared narratives provide an interpretation of events and function to transfer tacit experience and knowledge.

3.2 Theorising with Social Capital

Nahapiet and Ghoshal’s (1998) framework was developed in the context of the creation and sharing of intellectual capital. Thus, it has been adapted for the purpose of studying the influence of social capital on the budgeting process (or vice versa). The adapted framework was developed to incorporate elements from both Nahapiet and Ghoshal’s (1998) framework, and the wider social capital theory. Nahapiet and Ghoshal’s (1998) three dimensions of social capital were retained. A shared view (a shared vision, purpose, understanding, or goal among those in the organisation) (Nahapiet and Ghoshal, 1998), replaced shared narratives in the shared context dimension. It was considered that the concept of shared vision, purpose, understanding, or goal, was directly relevant to the budgeting process in an organisation, as it promotes cooperation. In contrast, shared narratives, particularly the notion of myths, stories, and metaphors, were not thought to be relevant to budgeting. In the structural dimension, network ties were seen as being either

formal (as a function of job title), or informal (unrelated to job title). Knoke (2009) notes that formal job descriptions often outline who managers will interact with during the course of their job, thus influencing formal network ties. Network configuration was expanded to include bridging and bonding social capital (Adler and Kwon, 2002; Putnam, 2000). It was considered that bonding social capital in particular, was directly relevant to the budgeting process, as it is related to teamwork. Physical spaces for people to connect (Cohen and Prusak, 2001) were also added to the structural dimension. Cohen and Prusak (2001) note that organisations can make it easier for employees to connect by physically configuring workspaces to encourage employees to gather, talk, and meet informally. The provision of staffrooms, alcoves, and communal areas, where staff can meet, also promotes community. Obligations and expectations, particularly the notion of a "credit slip' held by A to be redeemed by some performance by B" (Nahapiet and Ghoshal, 1998, p. 255) were omitted from the relational dimension as they were not considered relevant to the budgeting process. This adapted framework is shown in Table 2.

Table 2. The adapted framework

Structural Dimension	Cognitive Dimension	Relational Dimension
Network ties <ul style="list-style-type: none"> • Formal • Informal 	Shared language and vocabulary	Trust
Network configuration	Shared views	Norms
Appropriable organisation		Identification
Physical spaces for people to connect		

4. Research method

A qualitative case study was chosen as the best way to arrive at examining the budgeting process in a local church FS from a social capital perspective. The case study method allowed for a detailed study of budgeting, and took into consideration the organisation's economic, historical, organisational, and social context (Scapens, 1990). An interpretive methodology (Chua, 1986; Parker and Northcott, 2016) was adopted, as it was considered congruous with the subjective nature of social capital and assisted in understanding social capital from the subjective viewpoint of managers involved in budgeting. Data were collected primarily through semi-structured interviews, supplemented by documentary evidence, and evidence obtained from FS' website. Documentary evidence consisted of an annual budget for the 2021/2022 financial year, along with annual financial statements from the Charities Commission website [2]. A budget procedure manual was requested, but no such document existed. Likewise, minutes of Leadership team meetings were requested, but were not made available to the researcher. Background information on FS was obtained from several sources: interviewees; an interview carried out with the previous Finance Administrator in 2019; Barry (2015); and the Charities Commission website [3]. The documentary evidence were used to formulate interview questions for the study.

The choice of interviews to collect data was consistent with the interpretive paradigm, as this method gathered information about interviewees' subjective views (Hopper and Powell, 1985) of social capital. Managers involved in the budgeting process were identified, and 15 interviews covering 14 interviewees were carried out over a 16-month period from May 2016 to August 2017. Interviews were carried out over a 16-month period. The participants for interviews were chosen on, the basis of their input into the budgeting process. Participants from the Families Team and those on the Leadership Team were chosen. The Leadership Team was studied as they promote discussion on the budget and make the final decision on the budget. The Families' Team is the largest team at FS. Figure 1 displays the interviewees and their position at FS. The interview questions were formulated from prior literature and primarily based on Nahapiet and Ghoshal's (1998) three dimensions of social capital: structural, relational and cognitive dimensions. The interviews were transcribed with Saldana's (2013) and Bazeley's (2013) methods of coding were adopted. The coded interview transcripts were entered into NVivo.

In order to identify the themes for the study, we followed Saldana's (2013) method of coding. The interview transcripts from the organisation have been coded and entered into NVivo (Bazeley, 2013). The 'describe, compare, relate' strategy developed by Bazeley (2013) was used when developing themes. The 'describe step' involved reading through coded text relevant to the theme and making notes. The 'compare' step' entailed looking for similarities and differences between the theme under consideration and other themes, noting what was unique, and what was common (Bazeley, 2013). The 'describe, compare and relate' process of theme development led to the development of three themes for the study: valuing people, integrity and generosity.

The challenge was when the data was coded, far too many nodes came up. The potential conflict was to have many nodes where material in each node would be specific to that node, rather than lumped under one mega-node. Naming the node was a challenge as well as sometimes there were conflict with fine distinctions between the definition of nodes. Later on, we brought together similar nodes, as often the difference between some nodes was minimal.

One of the authors has a personal connection with FS, as, for the last 27 years, she has attended the church. During this time, she has developed an understanding of the history of the church, its values, and its *modus operandi*. Hence, she could be viewed as an 'insider', raising the issue of reflexivity. The author's perception is that the association with the church resulted in interviewees speaking more openly. Corbin Dwyer and Buckle (2009) indicate that such an acceptance of the interviewer by interviewees provides the interviewer with "a level of trust and openness" (p. 58) that may have not been present otherwise. Being an insider is a strength of this study as it relates to the cognitive dimension (shared context) of social capital theory which is an important element.

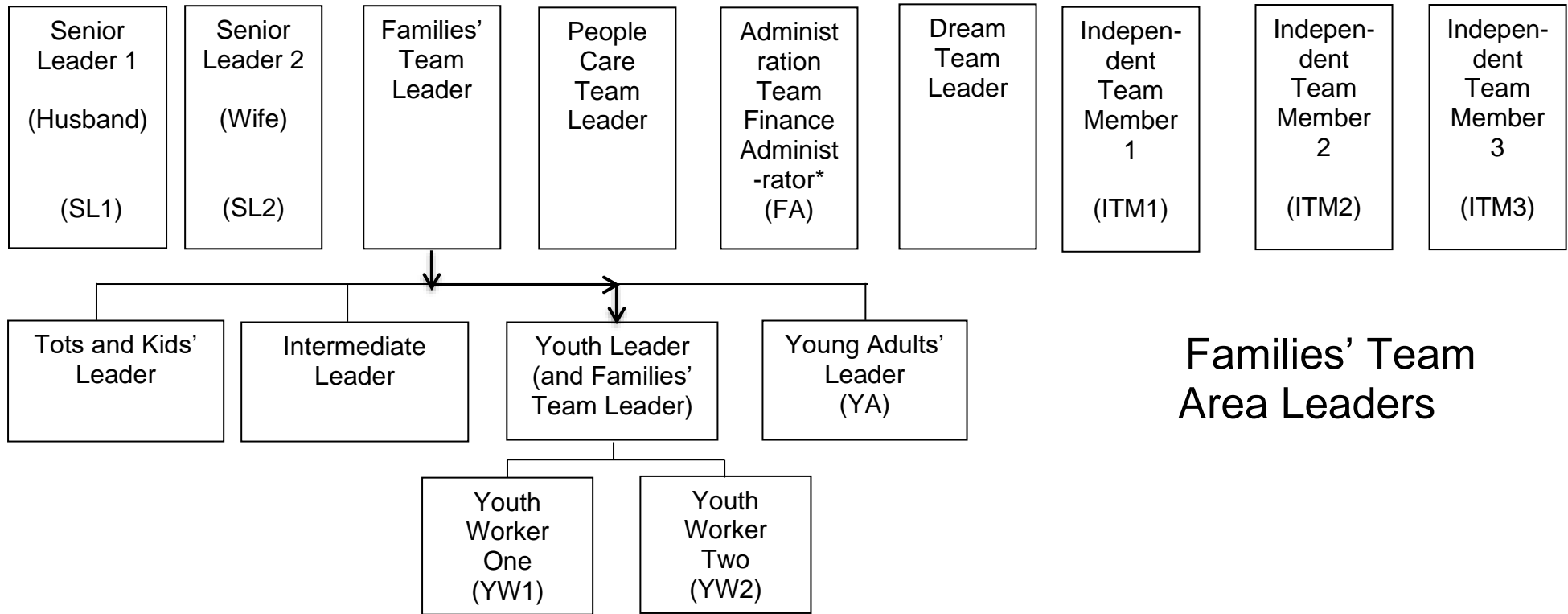
The case study - Fountain Springs (FS)

FS is an independent Pentecostal church that was founded in the 1970s, and is located in New Zealand. Each week, around 1,000 people attend a Sunday morning service, with around 400 attending a Sunday evening service. Through a related trust, the church provides a free, weekly Wednesday night meal for around 200 people.

In 2011, FS changed its governance structure, replacing the previous Leadership team, made up of all staff, with four teams: “the Families’ team”; “the People Care team”; “the Administration team”; and “the Dream team” (see Figure 1) [4]. Each team has a team leader who is also on the new Leadership team. The Families’ team looks after pre-schoolers, children, and young adults up to the age of 25. The People Care team provides pastoral care. Those involved in the administration of the church are on the Administration team. The function of the Dream team is to provide creative input into the church.

FS is run by a Leadership team of nine which meets weekly (see Figure 1). Six of the Leadership team members are church staff, and three are independent team members who are members of the congregation and have specialist skills. Independent team member 1 (ITM1) is a counsellor who has had previous church leadership experience. Independent team member 2 (ITM2) is a retired accountant who has also had previous church leadership experience, while independent team member 3 (ITM3) is a chartered accountant who works in a large accounting firm. The three independent team members were brought onto the Leadership team at the beginning of 2012, and they serve on a voluntary basis.

LEADERSHIP TEAM



**Families' Team
Area Leaders**

*The Finance Administrator is also the Administration Team Leader.

Figure 1. High level organisational chart

Each of the four teams has a regular team meeting where team leaders report back to their team on relevant items raised during the weekly Leadership team meeting. Items raised during the individual team meetings can also be taken on to the Leadership team meeting. In addition, all staff attend a weekly staff meeting. ITM1 and ITM2 also attend the staff meetings. At the time of the interviews in 2016/2017, there were 21 staff in all at FS. This study involved examining the budgeting process in the Families' team, the largest team at FS, and at Leadership team level. All nine of the Leadership team were interviewed, as were three of the area leaders in the Families' team, and two of the staff in the youth area who were involved in budgeting.

FS is set up as a trust and is registered as a charity with the New Zealand Charities Commission [5]. The financial year at FS runs from 1 April to 31 March. The annual accounts are prepared by an external, independent accounting firm and are professionally audited. In the financial year ending 31 March 2013, FS had income of around \$1.26 million. In the same period, FS made a small deficit. FS relies heavily on donations from congregation members, with over 98% of its 2013 financial year income arising from tithes and offerings. Due to its reliance on donations, FS has limited options to increase revenue. Area leaders for the Families' team, the People Care team, the Administration team and the Dream team are allocated an annual grant to spend on activities taking place in their area. In the 2012/2013 financial year, the Families' team had a budgeted annual grant of \$42,400, excluding salaries and wages.

The budgeting process at FS

The budgeting process is defined as the process of setting (planning), budget monitoring (control), and actions taken by managers to execute the budget and meet budget targets. The budgeting process at FS commences in mid-February when the Finance Administrator (FA) informs area leaders that their area budget is due in mid-March³. Area leaders differ as to how they prepare the budget for their area. For example, the Tots and Kids' leader, who has prepared her area's budget for 25 years, obtained "last year's annual, actual figures, and ... the current year-to-date figures." The year-to-date figures provide information for the current financial year up to January. She adds in expected expenses for February and March. The budget for the upcoming year is then prepared, taking into account "What kind of extra activities that maybe we didn't do last year, but that we are considering this year?" (Tots and Kids' leader).

In contrast, the Intermediate leader, who at the time of the interview, was preparing her first budget, approached the budget preparation process quite differently. As her area had been newly created, she obtained the amount of her area's annual grant, or "an amount to aim for" from the FA. She then spoke to the Young Adult's (YA) leader about how she prepared her budget: "[The YA leader] showed me how she

³ The four teams are the Families' Team, the People Care Team, the Dream Team and the Administration Team. Each team has a team leader. Within the Families' Team, there are four areas- Tots and Kids, intermediate, Youth and Young Adults. The person in charge of each area is an Area Leader. Each Area Leader has staff and volunteers that they lead and oversee. For example, the Youth Leader has two paid Youth Workers, as well as other volunteer leaders.

did hers and so I had a look at kind of the different areas she budgeted in to ... And saw the way that she set hers out and so I did something similar” (Intermediate leader). The Intermediate leader also took advice from the Tots and Kids’ leader, as the Intermediate area was previously looked after by the Tots and Kids’ leader. Once area leaders have completed their budget, the FA collates the area budgets and prepares a draft budget for FS. The FA then adds to the budget forecast income and other items of expenditure that are not area related. According to the FA, FS’ income is “fairly easy to forecast”, as income from tithes is available on a monthly basis. In addition, 80% of tithes are paid either by automatic payment or eftpos. The FA indicated that expenses don’t “fluctuate much”, so he sets non-area related budget expenditure around the same level as the previous year. He “underestimate[s] the income to leave [a] gap” for unplanned expenses, such as a missions trip opportunity.

At this point in the process, the FA discusses any issues of concern arising from an area leader’s budget with the leader concerned and makes adjustments to that area leader’s budget. The draft budget is reviewed by ITM3, who is a chartered accountant. The FA then outlines the main points of the budget to Senior Leader 1 (SL1).

The next step in the process occurs at a Leadership team meeting. The FA explains the main points of the budget to the Leadership team. The Leadership team discusses the budget and make decisions regarding items of capital expenditure. They decide on the priority to be given to capital expenditure items, and which capital expenditure items will be purchased. “So capital expenditure, depending on if we’ve even got any surplus to work with, I just list along aside the operating budget and we throw those around in that same meeting” (FA). Compared to the operating expenditure budgeting process, capital budgeting is a more informal and less structured process. Decisions on capital budgeting items are made by the Leadership Team.

The Leadership team also decide how funding for missionaries will be distributed, specifically which people or organisations will be funded, and how much each will receive. FS has a policy of setting aside a tithe (10%) of the previous year’s income to support missionaries. “We give away a portion to mission ... we always give away 10%. That’s kind of an informal rule” (ITM3). Staff salaries are discussed, and any increases approved. According to Senior Leader 2 (SL2), “We can’t pay the market rates for wages ... And people coming in to work at the church know that they are not going to get a market wage.” After discussion, the budget is approved by the Leadership team. It is then formally signed off by SL1. The FA then reports back to area leaders on the finalised funding for their areas. In a nutshell, the budgeting process is bottom up in nature with CAPEX and missionary budgetary decisions done at the Leadership Team level.

The FA provides area leaders with individualised 2-monthly monitoring reports that outline how their actual spending compares against their budget. He provides them with information along the lines of “This is how you’re going. This is how much you’ve got left.” The FA informs area leaders if he has any concerns regarding their actual spending for the 2-month period. “[On] the odd occasion, I might say well you’ve spent 40% of your budget, we’re only 20% of the way through the year, you’re

going to really watch that for the rest of the year” (FA). The FA also provides the Leadership team with monthly reports on FS’ financial situation. “My report back to the Leadership team is far more detailed in terms of how we’re tracking with expenses percentage-wise, based on the year before and what I’ve forecast as well” (FA). The next section examines the case study findings.

5. Case study findings

The effect of social capital on the budgeting process (or vice versa) at FS can be illustrated through the influence of the structural, cognitive and relational dimension of social capital.

The Structural Dimension

Network Ties

Network ties may be either formal (as a function of job title) or informal (unrelated to job title). With regard to formal network ties, preparing and monitoring the operating and capital expenditure budgets presented many opportunities for managers to interact, both in formal meeting and informally outside of organised meetings.

At FS, three of the Leadership Team referred to the way they interacted as “a robust discussion.” According to the People Care Team Leader:

A real camaraderie, a real close, quite a tight knit, very robust discussion. We’re not afraid of conflict. We’re not afraid of disagreeing with each other. We are, however, kind to each other despite disagreements.

Four of the Leadership team members spoke of team members being free to disagree with each other. The Finance Administrator believed:

I think we have a healthy balance between getting on and disagreeing. So, our meetings are not meetings where we all nod and go ‘yes’. There is healthy amount of ‘actually , I completely disagree with that’.

Budgets have been debated in an interactive way. This involved face-to-face interactions at formal meeting where it was intended to discuss plans, flag concerns and identify emerging issue relating to both financial and operational issues.

Network Configuration

An organisation can be described as having closure in that it is a social network, which has explicit social, financial and legal boundaries. Network ties provide the channels for information transmission. Closure is relevant to budgeting because closure in social networks in organisation is necessary for trust, information exchange and budget-related norms to be effective. Bonding social capital is relevant to budgeting, as it is likely to be a feature of close working relationships and information exchange among those involved in budgeting process. Bonding capital was obvious among the Leadership Team. FS brought three independent team members, who attended FS, but were not on the staff into Leadership Team. These

individuals were able to bring in new skills to the budgeting process as they had expertise working for private companies.

Appropriable Organisation

Appropriable organisation occurs when elements of social capital such as ties, norms and trust developed in one setting, can be transferred to another setting. At FS, there was a close connection between senior staff members and the values. The formal values were closely linked to the personal values of senior leaders. Prior to working at FS, Senior Leader One worked at a church under a manager who was 'abusive' and 'in places dishonest'. After this experience, he determined to treat people in a way that 'reflected the character of Jesus' that is with 'dignity and honour' (Senior Leader 1). The values at FS arose out of this resolution.

Cognitive dimension

FS had a formal set of organisational values which entailed shared language and vocabulary as well as the shared views of the cognitive dimension. FS is best described as a values-driven church where the focus is on operating and making decisions in a way that is consistent with its core values. The four core values are stated as: "We value people"; "Integrity"; "Authenticity"; and, "Vulnerability", and are described on FS' website as follows:

- "We value people. God's supreme passion is people. This being so, any endeavour that bears His name must value and love people. We are careful at [FS] to ensure that people never become 'the means to the end.'
- We value integrity – we seek to function and communicate with truth and simplicity.
- We value authenticity – we value an atmosphere in which people can be honest and real.
- We value vulnerability – we are all on a journey. There are no 'experts' here. The only reason any of us are here is the grace of God. We are honest about that."

These four core values provide "a degree of consensus in the social system" (Nahapiet and Ghoshal, 1998, p. 255) at FS.

Staff described how the values were pivotal to the way FS operates. SL2 used the analogy of a pair of glasses to explain how she viewed the values. "It's like having glasses on and we view everything through that." In the opinion of the Dream team leader, the values "Are woven through everything ... I think the way we do stuff, the way we talk in our Leadership team, the way we want our staff to be treating their volunteers, these [values] are central to it." There is an expectation that staff will adhere to the values in the way they work. "It's kind of, for the lack of a better term, drilled into us that every decision we make must be made through the [FS] code of values" (YA leader). FS has a human resources policy of hiring staff who fit with the organisation's values. The Dream team leader, who also has a human resources role, stated:

We don't necessarily advertise to a wider community. It's more about we see people that have the values and then maybe they're asked to go on staff because they have the values ... Because it's part of what they've bought into.

According to the People Care leader, the core values underpinned the budgeting process:

So, although we're not literally going through each value with every question that we ask about budget, it is at the forefront ... We think about integrity when we're thinking about budget[s]. We are thinking about transparency, vulnerability, and all of that stuff when we're looking at budgets, in everything we do.

The YA leader agreed, stating that "You're expected to look at the way that you spend money through those values." Next, how the norms are reinforced during the budgeting process is examined.

Valuing people

For four of the interviewees, valuing people involved spending money on looking after those on their team, or on volunteer leaders and other volunteers in their area. FS relies heavily on volunteers to meet the needs of the congregation. To show their gratitude to the volunteers, FS staff host an annual dinner for volunteers. At this dinner, the staff prepare and serve the meal. According to Youth Worker 2 (YW2), "There's 400 people invited and out of [FS'] budget, we've had to budget in we're going to feed you all."

The *we value people* norm extended to supportive working relationships among staff. Those in the Families' team spoke of supportive working relationships. The Tots and Kids' leader described her working relationships as "close" and "supportive". The Intermediate leader spoke of "easy-going" working relationships, while Youth Worker 1 (YW1) believed the work environment was "family-like." In the context of budgeting, the supportive working relationships were seen in what YW1 referred to as a "pastoral care element" to the budgeting process:

I remember last year thinking of the three different areas that I was working, and then having to submit budgets. So, I worked for [a Christian camp] for part of my job. And then I was working here, and I worked at [another Christian organisation], and so, for instance at [the Christian camp], you would submit your budget and you almost felt like you were fighting for your budget there and to the point where we were like "I don't want to fight about it. I just want you to say yes or no and if you say no to it, then that's fine." But here [at FS], even if they did say "No" to it, it was never like "Justify that". It's almost like really pastoral care in its own ... If they were to cut anything here, it is like "Here are the reasons why and we're really sorry about that."

The Leadership team viewed their working relationships with other members of the team as being open, friendly, respectful, caring, and close. ITM2 related how openness and respect among team members affected his wife, ITM1:

There's a real openness [in financial issues], and I'm an accountant, so I tend to understand perhaps a lot more than [ITM1], because she doesn't like figures and such. But if there's something she doesn't understand, she's totally free to ask in that meeting. And without being made to feel stupid.

Valuing people and supportive working relationships helped to lay a foundation and set the tone for the Leadership team to function as a team. For four of the Leadership team, the team spirit at FS was viewed as making budgeting decisions that were in the best interest of the organisation. According to the People Care team leader, "We're working for the bigger need, family, not just for what I want." SL2 commented that decisions were often made on the basis of "What's best for [FS]?" She also pointed out that people were brought onto the Leadership team who worked well in a team environment. Similarly, the Dream team leader indicated that "we are in this together. That we are working for the same goals. That we are trying to do this because we love [FS], we love God." In a similar vein, in the opinion of the FA, "Everyone works for each other, rather than against each other, which is obviously what you often find in a secular environment ... That people compete for finance and budget, whereas I don't think we have that at all."

Relational Dimension

The relational dimension covers trust, norms, and identification.

Trust

Trustworthiness was referred to by interviewees as being part of the budgeting process. Staff were entrusted to prepare budgets that were reasonable and be honest in the way they managed the finances. The Dream Team Leader commented on trust in the context of budgeting as follows: "Because people do have a lot of freedom to spend, but there's trust that people will be doing that the right way." The Finance Administrator expected those with budgeting responsibilities not to spend money at the end of the year, because money was left in their budget.

In the opinion of the Dream team leader, the integrity is vital to the budgeting process:

I think integrity is probably the one that affects the budgeting process the most, because we really do expect people to be honest with the way they deal with finance. There's a lot of trust, I think. Because people do have a lot of freedom to spend, but there's trust that people will be doing that the right way.

The norm of honesty is related to integrity. Honesty in budget preparation is clearly the expectation of the FA. "I expect they're going to give me accurate figures. I don't expect that they're going to go: 'Oh, I'd just like to add another \$2,000 in.'"

There is also an expectation that area leaders will not add in new expenses without permission. According to the Tots and Kids' leader:

If there's something that isn't in your budget, but you think it would be a really cool thing to do, make sure that you ask permission. You just don't go ahead and do it, you suss it out.

In the opinion of SL1, transparency was related to the norm of integrity. "[Transparency is] almost, a spin-off of integrity. If you're doing it honestly, there's nothing to hide." Staff were free to ask for information on FS' finances. However, some information, for example, staff salaries, was kept confidential. There was an informal rule that the FA's door was always open to staff, so they could approach him at any time to request an update on their budget, or to ask questions regarding financial matters. The church believed they had nothing to hide (transparency) and believed that their decision regarding providing people with information if they asked was the right thing to do (integrity). The church was liberal with spending, especially if it had to do with staff development. Area leaders shared financial information with their volunteers on a need-to-know basis. The FA stated that the finances of the church were open, but that many of the staff were not interested:

I think it's very open, but my qualifier to that is most people don't want to know. They're actually not that interested ... So those who need to know come and ask. Those who want to know come and ask. Those who aren't interested, which is the majority, don't come and ask.

The view that many of the staff were not interested in budgeting was reiterated by YW1:

I think that if anyone came and asked about the budget, I'm sure that [the FA] would be happy to tell them. It's like in my head I'm like, "Who'd want to ask about that? It just seems so boring!"

While there was little financial information communicated to the staff at staff meetings, at Leadership team level, financial information was disseminated in a transparent and open manner. According to the Families' team leader, "Everything's open ... everything from missions to what we're spending, to debt." Leadership team members were free to ask the FA for more financial information to be supplied if required.

The norm of trust, an element of the relational dimension of social capital, is also related to integrity. Staff were trusted to prepare budgets that were reasonable and be honest in the way they managed the finances of their area. The YA leader spoke about the trust and autonomy given to her when preparing her budget. "I have never felt like there's been a look over my shoulder to see 'How am I doing? How's it going? Why are you allocating that there?'" The FA expected those with budgeting responsibilities not to spend money at the end of the year, simply because there was money left in their budget. "We trust you not to spend money on things that don't need money spent on, and if you've got money left over, that's fabulous, but we hope that the budget you've given us is accurate." Trust in financial matters also extended to the use of an organisational credit card. The Tots and Kids' leader related her approach to the use of the credit card:

So, I've got to be trustworthy in terms of what I use that credit card for. I make sure I've got the records of what I spend it on and that's sent in and gets coded properly, and so that it is what it is.

Despite the widespread trust reported by interviewees, there were isolated instances where staff would include funds in the budget for situations that may arise during the budgeting year. According to the Dream team leader, "There's a few people that push the boundaries of the budget sometimes, but [the FA's] on top of that I think, so there's again a lot of trust that [the FA] monitors that." According to ITM3, the Leadership team had a "pretty good handle on all the costs." Due to the transparent nature of the budgeting process, any extra spending "would get pulled into line pretty quick." It appeared this was the case with the People Care team leader's desire to have funds available for staff development.

Norms

The norms of cooperation were particularly evident in the budgeting process. The Teams worked cooperatively together to achieve budgeting targets. According to SL1, the cooperative, team spirit occurred in the budgeting process "In the things that they don't do," such as empire building or leaders promoting own area to the detriment of other areas. In the context of budgeting, interviewees referred to making decisions that were in the best interest of FS. In the opinion of the FA:

Everyone realises that there's a limited pool of money and there's no like "Oh, my ministry's more important than yours. My [area's] more important than yours. I should have that money." That's just something we don't have. So, I think in terms of the team thing, everyone works for each other, rather than against each other.

Likewise, the Tots and Kids' leader was aware of the needs of others when preparing her budget:

I guess it's a sense that you're part of a team, so you can't be overboard and silly about your budget because there's only one pie and everyone is needing a slice of that pie, and so I guess it keeps you realistic and open that if you are cut back, there are good reasons for that. Your budget is only a submission, and so you would be prepared to tweak and pull things back if that's what's needed for everyone to get a fair share of the pie.

The People Care team leader related how a team approach and a cooperative spirit influenced her when the FA reduced her budget:

[The FA is] shaving money off my budget, but we still do it in a light-hearted cooperative manner. There's a real sense of, you know what? We're both working for the same purpose here. You're not my enemy. I'm not getting what I want, but we're working for the same goal, and that's fine ... We're working for the bigger need, family, not just for what I want.

Likewise, the Dream team leader considered that the cooperative spirit influenced the way those with budgeting responsibilities approached budgeting:

People are passionate about their own areas, but at the same time, again, people are here because they love [FS] as a whole, and I think that comes through in the way that people are really reasonable about budgeting. They realise they can't have all the money because there's other really valuable stuff going on in other departments and I think that's again probably part of the community spirit of knowing each other, then you're going to be really reasonable in your requests.

She continued by saying that while people were passionate about their areas, "I don't think there's anyone trying to build their kingdom at the expense of other people." SL1 commented that he could not remember a Leadership team member behaving in a selfish manner:

I think it shows up in the way that you don't see them fighting for portions of the pie. You don't see them sort of parochial, pushing their little barrow at the expense of others. They all come to the table wanting the best across the board, and, and I've never, ever been in a discussion where I've felt like "That was a bit selfish. You're really pushing for your team in a way that's illicit. In a way that's really meaning that other people are going to get stuck because you've pushed your agenda.

The FA was also of the opinion that the notion of the "bigger picture" acted against people building empires. ITM2 believed that the servant approach to leadership seen at FS negated any tendency towards empire building:

I think there's a high level of servanthood, with the servant leadership type thing. At all the levels of people, the leaders seek to serve the people that they're responsible for. So, it's not trying to build their own little hierarchy.

The People Care team leader mentioned that she had not seen any competition between Leadership team members for resources:

I don't see [areas] competing at all. Yes different [areas] have different amounts of budget, because they have different requirements ... At a Leadership team level, we all lead a[n] [area], or most of us lead a[n] [area]. We would look at each other's budget and think "Well go for it. That's what you need."

In contrast to empire building, two interviewees spoke of making sacrifices in their budget:

There's definitely times where's it's like, no, you can't have that because we don't have the money for it. But I think when you take a position on the staff at a church you expect that there will be sacrifices somewhere. You can't have everything all the time, because it's a church. It's not a business (YA leader).

Likewise, in the context of capital budgeting, the People Care team leader referred to a sacrificial attitude that led to a focus on the common good:

I think in all honesty, it's sacrificial in as much as we all are thinking about the greater good. The good of people who come to [FS]. Not our own good, or our own departmental good or our own kingdom.

In the opinion of SL1, people were the primary focus of FS: "Our bottom-line is not profit. Our bottom-line is people." Interviewees were in agreement that the main goal of FS was spiritual, involving people. According to SL1, the purpose of FS was:

To see God's Kingdom established in the earth. We want to see God glorified. We want to see people come to Christ. We want to see families healed and lives touched, and people changed, and we want to see the gospel.

Accordingly, money (and budgeting for that money) played a secondary, supportive role:

[Money is] secondary. It's a by-product. It's a by-product of what we do ... I think once finance becomes the key issue of a church's life, something has been perverted. Ministry is the key issue. Yes, ministry costs money. But our, our belief is that if it's valid and if God's in it, He'll supply. So that's how we function.

While the people employed are paid less than the market rate, the leadership believed that employees are happy to work for the church because they place service to God ahead of money. However, an alternative interpretation is that while the church claims to value people, the value the church claim to put on their staff is not reflected in the salary paid to staff. The leadership team could be out of touch with their staff and staff could be disgruntled with the low pay rate. However, this did not seem to be the case. The church is also a charitable organisation and so providing social services is important for the leaders rather than working for money.

The FA explained the relationship between the primary and secondary goals at FS as follows: "[Money] is very secondary. It's a means to an end. In the end, it's what allows us to operate, but it's not what causes us to operate."

The Families' team leader believed that whilst money (and budgeting for that money) was not a primary focus, FS' finances were still managed well:

It's such a bizarre balance ... from my eyes is [money is] not the primary focus, but also in my opinion, that doesn't mean it's not well looked after. It doesn't mean it's haphazard. I just think it's not the primary focus.

Generosity

A further norm influencing the budgeting process at FS is the norm of generosity. SL1 stated: "I want us to be generous, because that's what God's like. And we must be like Him." The People Care team leader shared how, whenever possible, the

staff aim to “Always operate with generous open hands.” Interviewees believed the funding given to their areas was generous. The Tots and Kids’ leader commented: “They’ve always been incredibly generous, and they will pretty much give us what we need to do to get the job done.” YW1 related how she has never “pushed back” on funding given to the youth, because, when compared to other places she has worked, she feels “They’re really generous here at [FS], anyway with what we need.” Generosity included providing funds in the budget for staff in special circumstances and paying visiting speakers well. “We pay speakers who come very generously, plus meet all of their accommodation costs and transport and costs and all that sort of stuff” (People Care team leader). She contrasted FS’ generosity in paying visiting speakers with the situation facing a colleague at another church who was “asked to go from Wellington to Auckland to speak at a church and he was given \$50 ... and he had to pay for his airfares, return airfares.”

The People Care team leader spoke about how money was set aside in the budget to fund those in need. “So, there’s a budget there for helps [sic] budget. There’s a budget for any number of situations where people need help or finances or something like that.” Similarly, YW2 believed:

[FS] is probably one of the most generous workplaces or churches that I know of. They will, with no expense spared, try and help other people ... I’ve never had a time where I’ve had someone who’s needed a food parcel or anything where I’ve been told “You can’t spend the money because we don’t have it.”

ITM3, an accountant, expressed FS’ view on generosity in financial terms, saying: “We’d rather be generous ... and have less cash in the bank ... Than being tight and having more cash in the bank.” SL1 also expressed his preference for FS to be generous rather than accumulate money:

Where we can and where we are able, without throwing the whole budgeting process into chaos because we’re just being reckless, we really try to be generous. That’s why over the years, we haven’t had surpluses. We’re not aiming for surplus. We’re trying to bless people, so if we’ve got surplus and there’s a need, I wouldn’t bank it. I’d give it to the need.

The People Care team leader reiterated the opinion of SL1 that their desire was to balance being generous with wise financial management. In her opinion, FS is “Wise and careful, not frivolous or silly, but [with] a real value on generosity as well.” These were examples provided by interviewees about the generosity of the church to people in the congregation and those who do not attend the church. The church was not so much focused on surpluses, but rather to donate money to the needy in the community. Interviewees spoke about how the values have been internalised and incorporated into their area of responsibility. According to the YA leader, “We all have chosen to live our lives by those values, and to lead through those values, so we treat each other through those values as well.” SL1 pointed out that the values are “Not just a plaque we put on the wall.” For him, the values are “What calls us forth, and it is what drives our organisation.”

By adopting FS' values as their own personal values, interviewees have internalised (Coleman, 1990) the values, and have identified with the values. Identification is an element of the relational dimension of social capital. Interviewees were also displaying what Leana and Van Buren (1999) term associability, as they have laid down their personal values and adopted the values of the collective, in this case, FS. Associability and identification were also seen in the budgeting process where interviewees laid down individual goals and worked cooperatively towards FS' goals.

6. Discussion

The purpose of this paper is to examine the budgeting process in a local church from a social capital perspective. At FS, budgeting was a social process as much as a technical process. The social norms evident permeated the budgeting process. The presence of norms agrees with the social capital literature stance that norms are an important feature of social capital (Cohen and Prusak, 2001 Nahapiet and Ghoshal, 1998).

The study supports the literature that budgets are management tools most pervasively utilised in organisations for resource allocation decisions (Davila and Wouters, 2005; Bower, 2017). Organisations that choose initial MCS better suited to their strategy tend to perform better (Nath and Sharma, 2014; Sharma et al., 2014; Soobaroyen et al., 2019).

An aspect of budgeting at FS was the interviewees' participation and explanation by subordinates led to improved performance. In the budget-setting process, members were able to negotiate their way through the budgeting process, which enhances social capital (Hauriasi et al., 2016).

Merchant (1985) notes that the propensities to create budgetary slack are lower when managers participate actively in budgeting. The pressure to meet financial targets can shape manipulation of short-term performance measures and encouragement of a myopic, short-term orientation. The study supports Irvine's (2005) and Lightbody's (2000) views that the budgeting process is an enabling and liberating contributor to a church's fulfilment of its spiritual vision. The budget is used as a control device (Lyne, 1988).

It was evident from the interview data that the norms and values present at FS brought interviewees together to achieve the commonly understood organisational goal. Supportive working relationships among those involved in budgeting, similar to social capital, were also reported by Hauriasi *et al.* (2016) in their study of budgeting in the Anglican Church of Melanesia. It appears that the relaxed nature of the budgeting process, consultation, decision-making by consensus, and the nurturing of empathy and agreement reflected "traditional ethnic identities" (p. 1305) in the Solomon Islands culture.

However, "strong norms and mutual identification" may also limit a group's "openness to information and to alternative ways of doing things, producing forms of collective blindness that sometimes have disastrous consequences" (Nahapiet and Ghoshal, 1998, p. 245). Cohen and Prusak (2001) suggest a solution to a tendency

towards groupthink is “to let more people and information enter in from outside the group” (p. 71). Adler and Kwon (2002), and Nahapiet and Ghoshal (1998) note that problems may occur in a group with strong social norms and beliefs, if access to sources of ideas and information becomes restricted. FS’ Leadership team recognised that insularity could be a problem, and with this end in mind, in 2012, they brought in three independent team members who attended FS, but were not on the staff, into the Leadership team.

Clear evidence of sacrificial behaviour was found at FS in the context of budgeting. Interviewees spoke of being prepared to make sacrifices in the budget for their area to accommodate the needs of others. Such behaviour was not recorded by Irvine (2005) in the study of budgeting practices in a local church. Nor was it mentioned by Kluyers (2001) in his exploratory study of budgeting in churches in Melbourne, Australia.

The shared spiritual goal of extending the Kingdom of God was born out of a Christian worldview and represented a “shared vision and purpose” (Pearson *et al.*, 2008, p. 957) among staff. In the social capital literature, a shared view is often referred to as a shared vision, purpose, understanding, or goal among those in the organisation (Carr *et al.*, 2011; Chow and Chan, 2008; Inkpen and Tsang, 2005). Nahapiet and Ghoshal (1998) use the term “shared systems of meaning” (p. 244) to refer to the same phenomenon. Likewise, the secondary focus on money (and budgeting for that money) represents a “shared understanding of the business” (Huppi and Seemann, 2001, p. 36), as those involved in budgeting all agree on the secondary importance of money to the running of FS. The agreement among interviewees on the primary and secondary goals contributed to the social nature of the budgeting process and could be loosely seen as a further norm operating in the budgeting process.

Whilst the shared understanding of the common goal of FS is spiritual in nature, money (and budgeting for that money) is required to achieve the common goal of extending the Kingdom of God. Those with budgeting responsibilities were conscious of the common good and worked cooperatively to ensure budgeting decisions were made in FS’ best interests. By doing so, those with budgeting responsibilities were identifying with FS, and seeing themselves “as part of the collective” (Pearson *et al.*, 2008, p. 959). The social process of working cooperatively towards the shared spiritual goal was also seen in the way managers did not seek to build their area into an empire, and also in a sacrificial attitude towards budgeting. The dominance of a spiritual goal in the budgeting process was also seen at a local church in Sydney, Australia (Irvine, 2005). In a similar way to FS, the spiritual vision for the church was expressed through the budget. As in the case of FS, “the budget was never to take over as an end in itself, but always to be subservient to the vision” (Irvine, 2005, p. 225).

7. Conclusion

This study has examined the budgeting in a local church from a social capital perspective. The social capital provides novel insights into the construction of budgets and its social aspects. The main finding of this present study is that at FS, budgeting was a social process that can be explained by social capital theory. This

social process was evident in the way the budgeting process reinforced social norms and trust, and in the way, interviewees identified with organisational norms and goals. The presence of commonly understood goals also contributed to the social nature of the budgeting process. These shared goals were underpinned by the shared Christian worldview held by interviewees. The reality of resource allocation through budgets is a complex process involving technical, organisational, cultural and interpersonal forces that are fundamentally related (Bower, 2017).

The study makes a specific contribution to the literature on budgeting in a church. It addresses Hopwood's (1983) call for understanding accounting, in this case budgeting, in the social context in which it operates. This social context entails relationships that are not merely technical. This study begins to fill a gap in the budgeting and social capital literature, as it examines how social aspects influence the budgeting process. In doing so, this study provides a new insight into an aspect of budgeting that has not previously been studied. Budgeting was found to foster, strengthen, and reinforce social capital among those involved in the process. The budgeting process achieved these ends through people coming together and working cooperatively towards a shared understanding of the common goal.

Chenhall *et al.* (2010, 2012) and Vieira *et al.* (2013) were the only studies located in the literature that referred to social capital in the context of budgeting. In contrast to Chenhall *et al.* (2010, 2012), and Vieira *et al.* (2013), this study focuses entirely on the budgeting *process*, and the importance of social capital within the budgeting process. This study has adapted Nahapiet and Ghoshal's (1998) social capital framework to examine budgeting practices at FS. In doing so, Nahapiet and Ghoshal's (1998) framework of social capital has been adapted and applied to a context not previously studied, i.e., the budgeting process. The study will be useful to a broader-not-for-profit/charity or even a public sector who can get an insight that budgeting is social process. The presence of commonly understood goals in these organisations will contribute to the social nature of budgeting process. This study will be of interest to practitioners involved in budgeting, as well as those involved in setting budgeting policy in an organisation, as it highlights the social side of budgeting. The study raises awareness among practitioners on how social aspects influence the budgeting process of the organisation.

Whilst this study proposes a social capital interpretation of budgeting by drawing on social capital theory, there are a number of limitations. There may be an element of self-selection, as the church agreed to participate in the study and chose to allow a researcher to examine social aspects of its budgeting process. This study has drawn on Nahapiet and Ghoshal's (1998) framework of social capital. It is possible that a different model of social capital may provide differing results or add more insight to the topic. This study has relied on interviews to collect data. However, interviews may not provide the depth of information that can be obtained from a longitudinal case study, where observations are made over an extended time period.

The social capital interpretation of budgeting presented in this study opens the door to a number of research opportunities. The approach taken in this study could be extended to an organisation in the public sector or extended to differing types of not-

for-profit organisations. This study could be extended internationally in countries with different histories or cultures.

This study contributes to the literature in relation to the natural or social processes of budgeting. Boland and Pondy's (1983) view accounting, and by implication budgeting, as a union of natural and rational processes. The importance of the rational aspects of the budgeting process is not negated in this study. Rather, this study focuses on the natural aspects, providing evidence that at FS, budgeting is a social process, one that can be explained by social capital theory.

Notes

1. FS is a pseudonym used to protect the identity of the organisation.
2. www.charities.govt.nz
3. www.charities.govt.nz
4. Pseudonyms have been used for team names to protect the identity of the organisation
5. www.charities.govt.nz
6. This church was not FS.
7. This church was not FS.

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