

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 different perspective than the sacred/secular divide used in previous studies. An alternative theorisation is attempted.

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 as 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. While the findings relate to FS, it is possible to infer through generalisation that similar practices may occur in other organisations.

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 – Whereas previous church budgeting studies have emphasised a sacred/secular divide, this study illustrates the application of social capital theory. It contributes to both social capital theory and church literature. 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

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1 Introduction

In this paper, budgeting in a church is investigated from a social capital perspective. Such an approach to budgeting in a religious organisation takes an entirely different perspective to that of previous studies. Rather than emphasising a sacred/secular divide (Irvine, 2005; Jacobs 2005; Kluvers, 2001; Parker, 2002), this paper demonstrates that budgeting is integral to the achievement of a commonly understood goal, necessitating both sacred values and practical financial planning. In this type of organisation, money is a means to an end. Setting objectives, allocating of resources, and getting feedback on spending contribute to the achievement of spiritual aspirations. In the process, budgeting fosters cooperative behaviour and both strengthens and reinforces social capital.

There are studies in the budgeting literature examining budgeting practices in a church, often from a sacred/secular divide perspective (for example Irvine, 2005; Jacobs 2005; Kluvers, 2001; Parker, 2002). In the budgeting and social capital literature, two 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 two studies, budgeting is covered as part of a MCS, but the influence of social capital on the budgeting *process* is not specifically referred to. Consequently, there is an absence in the literature regarding the examination of the influence of social capital on the budgeting process (or vice versa) in a church. This present study seeks to begin to explain budgeting as a social process, involving the creation and use of social capital.

The remainder of this paper is structured in the following way. Section two introduces the relevant literature on social capital, and on budgeting. It also explains Nahapiet and Ghoshal's (1998) framework, and how their framework was adapted for this study. The research method is explained in section three, and the case study organisation, Fountain Springs (FS) [1], is introduced. In section four, the case study findings are examined and analysed using the adapted social capital framework. The case study findings are discussed in the fifth section. Section six outlines the contribution this study makes to theory, practice and policy, the limitations of the study, and future research opportunities.

2 Literature review

Church budgeting

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 (Jacobs 2005; Lightbody, 2000, 2003; Parker, 2002), whereas others have studied the process of budgeting in a local church (Cunningham and Reemsnyder, 1983;

Irvine, 2005; Kluvers, 2001). In contrast, Haurisai, Van-Peursem, and Davey (2016) report on budgeting practices at all levels in the Anglican Church of Melanesia.

The sacred/secular divide as a theoretical context for budgeting has dominated much of the church budgeting literature (for example Irvine, 2005; Jacobs 2005; Kluvers, 2001; Parker, 2002). This divide was first proposed by Laughlin (1988, 1990) and extended and refined by Booth (1993). The sacred/secular divide argues that all activities in a church are either sacred (spiritual), or secular (profane) (Booth, 1993; Laughlin, 1988). Sacred activities are deemed to be “legitimate” (Booth, 1993, p. 46), whereas support activities are seen as non-sacred or profane. Accounting is reckoned to be a secular, or profane activity (Booth, 1993; Laughlin, 1988), and is “regarded as an irrelevancy to the life of the organization and only tolerated to the extent that it supports the sacred. However, it can never be seen as impinging on the sacred” (Booth, 1993, p. 46). Hardy and Ballis (2005) criticised the sacred/secular divide approach taken by Laughlin, and Booth, contending that the model “...consists of general arguments that oversimplify religious organizations, on the one hand, and on the other, stereotypes the role of professionals in these organizations” (Hardy and Ballis, 2005, p. 251). No studies have been located exploring the integration of the sacred/profane. This paper does so, emphasising social capital in the budgeting *process* of a church.

Social capital and budgeting

Social capital focuses on natural processes (Boland and Pondy, 1983), and is a broad and diverse topic that has been studied from a wide variety of perspectives. Social capital was originally documented in a community, and in more recent years, has been adapted to business. Initially a sociological concept, the term social capital has been exported into “everyday language” (Portes, 1998, p. 2), and has become “routinized into everyday conversation and policy discourse across an extraordinarily diverse set of disciplines ... in countries around the world” (Woolcock, 2010, p. 469). There is a growing acceptance in business of the importance of social capital as evidenced by the International Integrated Reporting Council’s inclusion of social and relationship capital as forms of capital (International Integrated Reporting Council, 2013). Indeed, Kwon and Adler (2014) are of the opinion that “social capital has matured – from a concept into a whole field of research” (p. 412).

Pierre Bourdieu, a French sociologist, was the first to make a systematic, theoretical analysis of social capital. In his 1986 work *The Forms of Capital*, he takes a neo-Marxist view of social capital, focusing on issues about access to resources and power in society (Baskerville, Jacobs, de Lautour, and Sissons, 2016; Harper, 2001; Huysman and Wulf, 2004; Kuruppu, Adhikari, Gunarathna, Ambalangodage, Perera, and Karunarathna, 2016). However, it is the works of James Coleman (1987, 1988, 1990), a sociologist, and Robert Putnam (1993, 1995a, 1995b, 2000), a political scientist at Harvard University, which have provided the foundation and impetus for much of the current interest in social capital (Woolcock and Narayan, 2000).

Two papers were located that refer to social capital and budgeting in an organisation. However, neither of the two papers study social capital in the budgeting *process*, nor study social capital and budgeting in a 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 management control system (Chenhall and Morris, 1995), and as part of a diagnostic control system, one of Simons' (1995) four levers of control (Chenhall *et al.*, 2010). However, the focus of their study is on links between MCS and social capital, with budgeting addressed indirectly as a component of a 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) nor Vieira *et al.* (2013) addresses the budgeting *process* per se or the influence of social capital on the budgeting process. Given this gap in the social capital and budgeting literature, two research questions were posed:

1. Does social capital influence the budgeting process in a church?
2. Does the budgeting process influence social capital in a church?

In the remainder of this paper, social capital is referred to as influencing the budgeting process. However, as indicated in the research questions, the budgeting process may influence social capital.

Theoretical framework

Nahapiet and Ghoshal's (1998) framework of social capital was used as the theoretical basis for answering the research questions. Nahapiet and Ghoshal's (1998) seminal framework has proved successful in analysing social capital in a business context (Lee, 2009), and has been widely cited in the social capital literature. Their framework allows the study of social capital within (internal to) an organisation (Subramaniam, Stewart, Ng, and Shulman, 2013), and 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). Nahapiet and Ghoshal's (1998) inclusion of a 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. 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 relational; and, the cognitive. They acknowledge that the three dimensions are not separate but are highly interrelated entities.

Insert Table 1 here

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. A related concept, appropriable relationships (Bolino, Turnley, and Bloodgood, 2002), occurs when relationships 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; Coleman, 1987, 1988; Fukuyama, 2001; Huppi and Seemann, 2001; Nahapiet and Ghoshal, 1998; Productivity Commission, 2003; Putnam, 1993, 1995a, 1995b). 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.

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. The adapted framework was developed to incorporate elements from both Nahapiet and Ghoshal's (1998) framework, and social capital theory. Nahapiet and Ghoshal's (1998) three dimensions of social capital were retained, but the cognitive dimension was renamed 'shared context.' A shared view (a shared worldview, or a shared way of thinking and operating) (Carr, Cole, Ring, and Blettner, 2011; Chow and Chan, 2008; Inkpen and Tsang, 2005; Mani and Lakhal, 2015; Pearson *et al.*, 2008; Sanchez-Famoso, Maseda, and Iturralde, 2013; Sanchez-Famoso, Maseda, and Iturralde, 2014; Tantardini and Kroll, 2015; Walker 2016), replaced shared narratives in the shared context dimension. 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; Anderson and Jack, 2002; Newell, Tansley, and Huang, 2004; Putnam, 2000). Physical spaces for people to connect (Cohen and Prusak, 2001) was also added to the structural dimension. Obligations and expectations were omitted from the relational dimension as they were not considered relevant to the budgeting process. This adapted framework is shown in Table 2.

Insert Table 2 here

3. Research method

A qualitative case study was adopted, to study the influence of social capital on the budgeting process in a local church, FS. 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; Sharma *et al.*, 2014; Parker and Northcott, 2016) was adopted, as it was considered to be 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 2012/2013 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 2009; Barry (2015); and the Charities Commission website [3].

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 2012 to August 2013. Figure 1 displays the interviewees and their position at FS. The interviews were transcribed and

Saldana's (2013) method of coding was adopted. The coded interview transcripts were entered into *NVivo*.

Insert Figure 1 here

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. However, there are some disadvantages to having an insider's perspective (Unluer, 2012). To mitigate potential disadvantages, follow-up questions were asked to understand a situation/experience/event from the interviewees' perspective. Clarification was asked for when necessary, so that the researcher understood what the interviewees were actually saying. Also, two of the researchers could be regarded as 'outsiders', helping to interpret the evidence without any preconceptions.

The case study - Fountain Springs (FS)

FS is an independent Pentecostal church that was founded in the 1970s. 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.

From 1994 to 2004, FS experienced a period of upheaval due to changes in leadership. This upheaval had been precipitated by the moral failure of a previous leader in the 1980s becoming apparent. As a result, donations fell and a cash surplus for the year ending 31 July 1994 had turned into a cash deficit by July 1995. In an effort to reduce expenditure, the staff of 11 was reduced to 5. The salaries of the 5 remaining staff were reduced, and administration expenditure was limited to essential items only. After the low point in the July 1995 year, FS' financial position slowly started to improve. Around 2001, donations started to increase due to a renewed acceptance of the values-based leadership, the repercussions of the moral failure by a previous leader being addressed, and a renewed trust in the leadership team.

The values are connected to the spiritual journey of the senior leaders. At one stage, they were working in a church [4] under a manager who was "abusive", "manipulative", and "in places, dishonest" (senior leader 1, SL1). As a result, "It brought me to within an inch of leaving the church and just saying forget it. I don't ever want to be involved in the church again" (SL1). However, "I couldn't get away from what Jesus talked about. When He talked about the church, He loved it, and I couldn't work out how I could follow Him and not love His church" (SL1). They left to pastor a small church [5], and determined they would treat people in a way that "reflected the character of Jesus", that is, with "dignity and honour" (SL1). Soon after the senior leaders arrived at FS in 1994, a staff meeting was held in which the values were formalised.

In 2011, FS changed its governance structure. Prior to the change, FS had been run by a leadership team which was made up of all staff. However, once the number of staff members grew to around 18, it became unwieldy to have all 18 team members making decisions. The change in governance involved the creation of four teams, with each team being made up of staff involved in a similar line of work. The change in structure was introduced slowly and carefully over a long period of time so as not to offend those who had been part of the previous leadership team. The four teams are known as: “the Families’ team”, “the People Care team”, “the Administration team”, and “the Dream team” (see Figure 1) [6]. Each team has a team leader who is also on the 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 one (ITM1) is a counsellor who has had previous church leadership experience. Independent team member two (ITM2) is a retired accountant who has also had previous church leadership experience, while independent team member three (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. 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 2012/2013, there was 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 [7]. The financial year at FS runs from 1 April to 31 March. In 2002, FS changed its balance date from the end of July to the end of 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.

The budgeting process at FS

The budgeting process at FS commences in mid-February when the finance administrator informs area leaders that their area budget is due in mid-March. Area leaders differ as to how they prepare the budget for their area. Different teams prepare their budgets in different ways. For example, the area leaders in the Families' team prepare their budget in consultation with volunteer leaders in their area. Once area leaders have completed their budget, the finance administrator collates the area budgets and prepares a draft budget for FS. The finance administrator then adds to the budget forecast income and other items of expenditure that are not area-related. At this point in the process, the finance administrator discusses any issues 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 finance administrator then outlines the main points of the budget to SL1. The next step in the process occurs at a leadership team meeting. The finance administrator explains the main points of the budget to the leadership team. The leadership team discusses the budget, and makes 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. 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. Staff salaries are discussed and any increases approved. After discussion, the budget is approved by the leadership team. It is then formally signed off by SL1. The finance administrator then reports back to area leaders on the finalised funding for their areas.

The finance administrator provides area leaders with individualised 2-monthly monitoring reports that outline how their actual spending compares against their budget. The finance administrator informs area leaders if he has any concerns regarding their actual spending for the 2-month period. The finance administrator also provides the leadership team with monthly reports on FS' financial situation. The next section examines the influence of social capital on the budgeting process at FS.

4 Case study findings

The case study findings relate to the chosen theorisation, and are presented according to the structural, relational and shared context dimensions of the adapted social capital framework.

Relational dimension

The influence of the relational dimension of social capital on the budgeting process at FS is examined. Norms are presented first, followed by trust, and identification.

Norms

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), and have become norms at FS. Another norm occurring at FS that impacted the budgeting process was generosity. In this section, the terms value(s) and norm(s) have been used interchangeably.

Staff described how the values were pivotal to the way FS operates. Senior leader two (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” (young adults’ 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’re thinking about transparency and vulnerability and all of that stuff when we’re looking at budgets, in everything we do.

The young adults' (YA) leader agreed, stating that "You're expected to look at the way that you spend money through those values." The next four sections consider how the values and norms are reinforced during the budgeting process.

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. I feel like [FS's] in its own bubble in that because out in the secular ... I just feel like "Man we are so blessed here", because out there they'd be like "Oh too bad, we need to meet this and it doesn't matter what we cut here, that's just it, we've cut it." 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.

The People Care team leader believed the working relationships between leadership team members were "sometimes blatantly honest and hold on, is that a bit too honest for in a church where you're supposed to be kind to each other?" The

working relationships among leadership team members did not change when budgeting or financial matters were discussed.

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 finance administrator, “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.”

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, teamwork and a cooperative spirit were seen as interviewees referred to making decisions that were in the best interest of FS. In the opinion of the finance administrator:

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 finance administrator reduced her budget:

[The finance administrator 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, team 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 finance administrator 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.

Integrity

In the opinion of the Dream team leader, the norm of 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.

According to the families' team leader, the norm of integrity influenced the extent of SL1's involvement in the church finances:

From what I've seen, [SL1] doesn't want to know about big givers in [FS]. He wants to keep himself really safe, so he's not the final authority on money, and I think that's because he's trying to be an integral leader. He places a team around him, and doesn't want to know [day-to-day facts such as] the safe number, the bank account details, anything like that ... Because he wants to live in here, in the values.

The norm of honesty is related to integrity. Honesty in budget preparation is clearly the expectation of the finance administrator. "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 finance administrator'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. Area leaders shared financial information with their volunteers on a need-to-know basis. However, many of the staff were not "money-minded." The finance administrator 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 finance administrator] 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 finance administrator for more financial information to be supplied if required.

Authenticity

The value of authenticity appeared to play a lesser role in the budgeting process. The Families' team leader viewed authenticity in the budgeting process at leadership team level in the following way:

I believe authenticity is massive in the sense of I've never seen anything that smells of underhand, just paying friends or speakers that are friends more than someone else, or hiding any financial sort of decision at a leadership team level from the congregation.

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 work places 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.”

Trust

At FS, trust is a further norm operating in the budgeting process, and is related to the value of 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? Why are you allocating that there?’” The finance administrator 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.

According to the Dream team leader, “There’s a few people that push the boundaries of the budget sometimes, but [the finance administrator’s] on top of that I think, so there’s again a lot of trust that [the finance administrator] monitors that.” An example

of an area leader 'pushing the boundaries' is the People Care team leader, who allocated money for staff development, uncertain about whether or not the funds would be needed during the year:

[The finance administrator] shaved a heck of lot off my pastoral budget this year. I just thought it was hilarious. I knew I'd put way more in, because for me, staff development is crucial. And I just saw some of my team that I thought I really want to see you have an opportunity to do this, if it comes along. But I wasn't sure that it was going to come along. So I thought, well, I'll budget for it just in case.

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.

Identification

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 the values as their own personal values, interviewees have internalised (Coleman, 1990) the values, and have identified with the values. 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. In the next section, the influence of social capital on the budgeting process in the shared context dimension is examined.

Shared context

Shared views

Interviewees were in agreement that the primary goal of FS was spiritual. 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.

In the opinion of SL1: "Our bottom-line is not profit. Our bottom-line is people." He believed the finances of the church (and, by implication, budgeting) played a secondary, supportive role in extending the Kingdom of God:

[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 belief is that if it's valid and if God's in it, He'll supply. So that's how we function.

The finance administrator 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) 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.

Shared vocabulary and language

Due to their Christian worldview, interviewees had shared Christian terms and jargon, and a shared understanding of Biblical terms. However, there did not appear to be a distinct vocabulary or language operating in the budgeting process. The next section examines the influence of social capital on the budgeting process in the structural dimension.

Structural dimension

Network ties

The preparation and monitoring of the budget entailed formal network ties, as seen in the interaction between leadership team members, as has been outlined in section 3. The budget was also discussed at leadership team meetings throughout the year, as the leadership team discussed the effect of decisions made on the budget and FS' finances. ITM3 described the interaction occurring between leadership team members as "a robust discussion." He continued:

You can be honest with each other. It's developed a really healthy relationship in the Leadership Team in the sense that we're quite happy to disagree and come to a resolution and so I think because of that, we've actually had some really healthy discussions.

The notion of an honest, robust discussion was also mentioned by the People Care team leader:

A real camaraderie, a real close, quite a tight-knit, very robust discussions. We're not afraid of conflict. We're not afraid of disagreeing with each other. We're all pretty opinionated. We're very, very honest. Blunt.

Four of the leadership team members spoke of team members being free to disagree with each other. According to SL1:

We had something just last week, where one of the guys said: “I think de da de da.” Somebody else said: “Oh, no. I don’t think that. No, I don’t see it that way at all.” And so there was a genuine, warm, robust discussion around “Well, how do you see it?” “Oh, not like that.” And away we went.

In a similar vein, ITM2 considered that his input was welcomed and he was “free to raise” any concerns he had. The finance administrator believed:

I think we’ve got a healthy balance between getting on, and disagreeing. So our meetings are not meetings where we all nod and go “Yes.” There’s a healthy amount of “Actually, I completely disagree with that.” That’s why I say I think [the leadership team meetings] are really good, because we’re at a stage where we can disagree with each other and not go away in a huff, or ... not take it personally.

Leadership team members did not consider there was any change in the way they interacted when budgeting was the topic of their conversation.

Monitoring the budget during the year also involved formal network ties. According to the YA leader, the finance administrator has an open door policy:

I’ll often just duck my head into [the finance administrator’s] office and be like, “Hey, if I need to know where we’re at, can you do a quick printout for me of where we’re at, so that I can track?” And he’ll just do it and that’s usually no problem at all.

Likewise, YW2 commented: “If we ever need anything or want to know where we’re at, [the finance administrator’s] door is open for us to always go in and ask.” The Families’ team leader also spoke of the finance administrator’s “open door policy for staff members to come.”

Two of the Families’ team used their informal network ties to help them in their budgeting tasks. YW1, who did the majority of the budget preparation for the youth area, mentioned that she used the finance skills of YW2’s fiancé, who was training to be an accountant, and was also a leader in the youth area:

He is excellent with money, and he keeps us on track with “Hey, I mean you guys, you want to make sure you’ve collected everyone’s money for this [event].” Rather than, because, I think, in the past, it would have been like, “Ah, if you’ve got your money, go and see [YW2].”

YW2’s fiancé also set up a spreadsheet that helped record spending on the youth area credit card.

The tots and kids' leader used the skills of her husband, an accountant, who also used to be the financial advisor to FS. She acknowledged that she struggled with understanding financial matters:

Even understanding a set of accounts has been a challenge for me — the bracketed parts, the minuses and the plusses and the overspend and how all that works. And we've also got really complicated things in that we've got a camp that falls in March, and so it is last year's income, but this year's expenditure, so there's always a little bit of an anomaly there that it's really hard to get my head around.

Her husband has helped her understand budgeting and has also helped her with preparing her budget:

So he's been a huge help in actually helping me understand the budgeting process, and working out budgets as well, so I think I've had an inside hand in that which has been hugely helpful. So he's kind of trained me I guess as well. (tots and kids' leader)

He also helped her with any budgeting-related problems arising during the year. "I can say to [him], 'What happened there?' And he can actually go back through the accounts and say: 'Okay, this is what happened.' ... So he's able to help me pinpoint what the problem is." She explained that while the finance administrator "is always really good at sitting down and explaining things to us", she has also been conscious that he is "really busy". In previous years, her husband had helped her with budgeting problems at home.

It appeared that the finance administrator was aware that some managers were not skilled at preparing budgets for their areas. In the 2013/2014 financial year, he asked managers responsible for preparing a budget to make a formal appointment with him prior to the preparation of their budget so that he could give them some basic training in budget preparation:

I think people will only put as much effort into their budget as their skill allows. So those people who aren't finance-minded will do me a budget to their level of knowledge, whereas if they come and sit with me ... I can perhaps give them a little bit more knowledge and a little bit more skill in terms of preparing their budget. (finance administrator)

The formal and informal meetings that occurred at FS among the staff influenced informal network ties. Formal meetings included the weekly staff meeting, team building days, and staff retreats. Alongside these formal meetings were informal gatherings, such as daily morning teas, celebratory morning teas, Christmas celebrations, and staff meeting with each other socially, out of work hours. However, staff gave mixed reports regarding the influence of these events on their budgeting tasks.

The finance administrator commented that the informal and formal gatherings helped him build friendships and trust with other staff members. "Because we're all friends, there is a trust [that] exists. So they don't see me as the scary finance guy who's

just out to cut their budget, because they know who I am.” Informal gatherings of leadership team members helped SL2 in her duties as a leadership team member when money was discussed:

You understand a person more and where they’re coming from. Why they have certain ideas that they do, why they might have certain different thoughts ... So you’re understanding each other far better in terms of where they’re coming from.

Network configuration, appropriable organisation, and physical spaces to connect

It is apparent the members of the leadership team had strong bonds, or bonding social capital (Adler and Kwon, 2002; Putnam, 2000). According to the finance administrator, the leadership team realised that becoming insular was an issue they needed to be aware of. To this end, in 2012, they brought three new members, who were not on the staff, onto the leadership team:

[The leadership team had] become quite insular, so it’s been really good to have some people who weren’t on staff ... Because they bring a different perspective ... Because they sit in the congregation week after week and don’t sit with us during the week.

All three independent team members considered they were independent. ITM2 said that for himself and his wife (ITM1):

We see part of our role is, in fact, because we’re independent of the staff, [there is] some degree of responsibility that’s on us to try and help make sure that the organisation is not solely administered by the staff, but there’s also outside influences coming in and examining what’s going on or looking at it, but from a positive point of view.

An appropriable organisation exists as the senior leaders’ personal values, developed out of their previous experience, have been incorporated into the values of FS. (See section 3, under The case study - Fountain Springs).

Cohen and Prusak (2001) note that social capital can be encouraged in an organisation by the provision of communal places where staff can meet. At FS, the area most frequently used for staff to meet socially was an area where staff met to have morning teas. This area was centrally located, with several office doors opening into it. Some staff went over the road to a nearby café to meet up. Staff would also meet informally in the kitchen area. Two staff members referred to “hallway conversations” (Dream team leader), or “ducking into offices to say hello” (YA leader).

5 Discussion

So far, how social capital has influenced the budgeting process (or vice versa) has been examined. At FS, budgeting was a social process as much as a technical

process. The social norms evident permeated the budgeting process. The presence of formal and informal norms agrees with the social capital literature stance that norms are an important feature of social capital (Cohen and Prusak, 2001; Coleman, 1987, 1988; Fukuyama, 2001; Huppi and Seemann, 2001; Nahapiet and Ghoshal, 1998; Productivity Commission, 2003; Putnam, 1993, 1995a, 1995b). Table 3 displays the norms operating in the budgeting process at FS that appear in the social capital literature. The budgeting process was found to reinforce these norms.

Insert Table 3 here

It was evident from the interview data that the norms and values present at FS laid a foundation for teamwork. This teamwork 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 Haurisai *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.

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 Kluvers (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; Mani and Lakhal, 2015; Pearson *et al.*, 2008; Sanchez-Famoso *et al.*, 2013; Sanchez-Famoso *et al.*, 2014; Tantardini and Kroll, 2015; Walker 2016). 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) 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 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).

The preparation and monitoring of the budget necessitated social interaction among those involved in budgeting. This interaction occurred in the context of achieving the shared organisational goal. The importance of interaction between people in the development of social capital is supported by Nahapiet and Ghoshal (1998). Cohen and Prusak (2001) argue that social capital is created and strengthened during interactions that occur in the context of “real work” (p. 22). Huppi and Seemann (2001) agree, saying: “In its strongest form, social capital is generated around joint, meaningful work” (p. 26). Budgeting and its associated tasks appear to fit the definition of real, joint, meaningful work. The position held by managers usually determined who they would interact with during the course of their budgeting duties. This observation agrees with Knoke (2009), who notes that “Many social capital relations are specified in formal job descriptions that lay out the rights and duties expected of persons who occupy positions in an organizational division of labour” (p. 1694). It appears that at FS, budgeting was a task that required managers to interact.

There was a mix of organised, formal social occasions, for example, the weekly staff meeting, and informal gatherings such as the daily morning tea. An area was set aside for staff to socialise. It appeared that while these social occasions helped to build relationships, they mostly had an indirect effect on interaction and relationship building during the budgeting process. As budgeting was largely an individual exercise at area leader level, social events helped staff to get to know each other, but did not influence interactions during the preparation of their budget. It appeared that area leaders prepared the budget for their area by themselves, with some input from their volunteer leaders. Social occasions helped the leadership team members to build friendships and trust, both with other members of the leadership team, and with other staff members. These formal and informal social events also helped the recently appointed independent leadership team members to get to know staff members. It appeared that the formal and informal social events helped to build appropriate relationships (Bolino *et al.*, 2002).

One of the features of budgeting not reported in the literature on church budgeting was the practice of some managers with budgeting responsibilities turning to family and friends for help in preparing and monitoring their budget. At FS, both the tots and kids’ leader and YW1 relied on the budgeting skills of family and friends to either prepare and/or monitor their budgets. There appeared to be no need for family or friends to help with budgeting in the local church studied by Irvine (2005), or in the churches studied by Kluvers (2001). At the local church studied by Irvine (2005), the church treasurer usually completed budget requests from lay groups within the church. In Kluvers (2001), the parish priest and the parish accountant were dominant in the budgetary process, with parishioners having little involvement. A further aspect of the budgeting process was the practice of area leaders consulting with volunteers in their area when preparing their budgets. This practice was not reported in the local church studied by Irvine (2005). Nor was it seen in Kluvers’ (2001) survey of churches.

It would seem that the lack of budgeting skills among some of the interviewees at FS was the reason they turned to family and friends for help. The finance manager at FS was aware that some of the managers lacked budgeting skills. In the 2013/2014 budgeting year, he asked each manager with budgeting responsibilities to meet with him in order to outline how to prepare their budget.

The bonding social capital occurring among the leadership team at FS acted as a “glue” (Anderson and Jack, 2002, p. 207) that bonded people together. Putnam (2000) takes a similar view, seeing bonding social capital as “a kind of sociological superglue” (p. 23). Newell *et al.* (2004) point out that bonding social capital “ensures an internal cohesiveness that allows the collective to pursue shared goals” (S. 46). Indeed, Chenhall *et al.* (2010) note that formal plans and budgets can lead to bonding social capital, as they result in goal clarification. This appeared to be the case among the leadership team at FS.

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). At FS, the leadership team recognised that the same social norms and beliefs that bonded them together could also work against them. Indeed they accepted that they needed to guard against becoming insular. 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’s leadership team recognised that the close bonds could be a problem. With this end in mind, they brought in three independent team members who attended FS, but were not on the staff, into the leadership team. This negative, or dark side, of social capital (Adler and Kwon, 2002; Cohen and Prusak, 2001; Fukuyama, 2001; Huysman and Wulf, 2004; Nahapiet and Ghoshal, 1998; Putnam, 2000) occurs when social capital has negative consequences.

6 Conclusion

This study has examined the possible contribution that social capital theory can make in explaining budgeting practices at FS, a local church. It has sought to investigate the influence that social capital has on the budgeting process, or vice versa. 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 social nature of budgeting was also seen in the interaction and relationship building that occurred as those with budgeting responsibilities undertook their budgeting tasks. 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.

This study begins to fill a gap in the budgeting and social capital literature, as it examines how the budgeting process can influence social capital. 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.

This study makes a specific contribution to the literature on budgeting in a church. Much of this literature has focused on the notion of a sacred/secular divide (for example, Irvine, 2005; Jacobs 2005; Kluvers, 2001; Parker, 2002). In this study, budgeting in a local church is examined from an entirely different perspective from that taken by previous studies. Rather than emphasise a divide, this study examines how budgeting practices can be explained through a single perspective – social capital theory. In addition, contemporary budgeting practices are studied in a church whose denomination and country have not been previously researched.

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 in 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. 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.

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. While the findings relate to FS, it is possible to infer through generalisation that similar practices may occur in other organisations.

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.

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.

The social capital interpretation of budgeting presented in this study opens the door to a number of research opportunities. A fuller understanding of how the budgeting process influences social capital may be obtained by the inclusion of shared narratives in the shared context dimension. 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. Quantitative methodology could be applied to examine the influence of the budgeting process on social capital in organisations.

Boland and Pondy (1983) view accounting, and by implication budgeting, as a union of natural and rational processes. This study has focused on the natural or social aspects of the budgeting process. 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. This church was not FS.
5. This church was not FS.
6. Pseudonyms have been used for team names to protect the identity of the organisation.
7. www.charities.govt.nz

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