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MANAGEMENT CONTROL IN A VOLUNTARY ORGANIZATION
MANAGEMENT CONTROL IN A VOLUNTARY ORGANIZATION

Accounting and Accountants in Organizational Context

PETER BOOTH
DEDICATION

I wish to dedicate this book to Suzanne, Katherine, James and Ross, who make life bearable in more ways than they can ever know.
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This book is concerned with the study of accounting within its organizational and social context. A major problematic under such an approach is, how does accounting obtain and maintain a position of organizational significance? This problematic is approached theoretically in this book by analysing accounting as having potential effects at both an ideological level and at an occupational level. Empirically, it is explored within the context of voluntary organizations as theoretically interesting extreme cases, where the conditions for accounting to be significant should be most open to question.

The theoretical framework of the book draws upon the work of Richard Laughlin on the Church of England and the writings of Peter Armstrong on the variations in management control strategies in business organizations to develop a critical structuralist framework for the analysis of management control and the use of accounting within voluntary organizations in general, and churches more specifically. This framework emphasizes; the interaction of different forms of organizational control problems within voluntary organizations; the actions of differing occupational groups, in particular the confrontations between accountants and occupational groups more concerned with the core ends of voluntary organizations; and the impacts of various organizational crises.

This framework is applied to a case study of the significance of accounting within a major Protestant Australian church, where accounting is found to be of generally low, but variable, significance. The critical structuralist framework developed in the first section is found to have considerable utility in explaining these findings. Tensions between the clergy and accountants over the use of accounting, and the prioritization of secular financial control problems by the financial crisis being experienced by the church, were especially relevant to understanding the observed variable significance of accounting. The findings are then compared to research on churches and voluntary organizations more generally.
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Management Control in a Voluntary Organization
Chapter 1
Background and Rationale

I. INTRODUCTION

This book is about accounting as a situated practice (Chua 1988). It analyses the uses of accounting in a voluntary organization, a division of a major Protestant Australian church. Instead of seeing accounting practices as functionally or dysfunctionally fitted to the organization, they are viewed as reflexive constructions of the context of the everyday activities of the members of the organization at a specific time in its history. As such this study seeks to add to the increasing body of research on accounting in its social and organizational context (for example, Berry et al 1985; Burchell et al 1980; Hopwood 1978, 1983; Nahapiet 1988; Preston 1986).

The traditional, dominant perspective on the usefulness of accounting in organizations sees it as possessing inherent functional imperatives, in particular the satisfaction of financial information needs that are fundamental to the operation of rational economic decision-making in any form of organization (Burchell et al 1980). Within this perspective three main problematics are raised: How can accounting techniques be improved to better serve decision-makers? How can accounting systems be designed to overcome the cognitive limits of decision-makers? How can accounting systems and/or decision-makers be 'changed' to avoid dysfunctional responses to such systems? Many worthwhile research findings have resulted from the addressing of these questions, but their particular focus has also limited the consideration of why and how accounting is used in organizations.

Burchell et al (1980) argued that accounting does not have any inherent usefulness, its prominence in modern organizational affairs is
the result of specific organizational and social historical patterns; that is, the various uses of accounting accepted as basic premises under the traditional approach have been, and continue to be, socially constructed. This means that the 'purposefulness' of accounting itself should be the problematic of study. How did accounting come to be what it is? How has 'what it is' changed? How do new uses emerge? For, as Hopwood (1983) argued, accounting is always becoming what it was not.

In essence then, the problematic addressed in this study is "...how... does accounting achieve and maintain a position of organizational significance" (Hopwood 1983, p.291)? It identifies some of the uses of accounting in the Northern Division of the Mainstream Church at a specific time in its history (the name of the division and church have been disguised). These are analysed using a critical structuralist approach that emphasizes the importance of particular organizational control problems, the activities of occupational groups and specific social conditions in facilitating such uses (Armstrong 1984, 1985, 1986, 1987a). A church is chosen as the focus of interest as a compelling extreme case where the claimed 'inherent purposes' of accounting should be highly in doubt (Thompson 1975).

In this chapter two main tasks are addressed. First, the problematic identified above is developed and justified in more depth. This involves a general questioning of the basic nature of accounting practices and how they may become purposeful in organizations. Second, a typology of voluntary organizations is developed to justify the selection of a church as a potentially fruitful site for the study of the problematic. This identifies key characteristics and dimensions of voluntary organizations that may be linked to the use of accounting. The chapter concludes with an overview of the findings, a summary of the discussion and the structure of the book.

II. FOCUSING THE PROBLEMATIC

This book is based upon the premise that it is a generally irrefutable fact that accounting has obtained and continues to maintain a position of organizational significance (see, for example, the arguments in Anthony and Young 1984; Chandler and Deams 1979; Hopwood and Tomkins 1984; Horngren and Foster 1987; Johnson
Background and Rationale

In addressing this question, the view that accounting has certain inherent functional uses for action in organizations is rejected. As Burchell et al state "...we have uncritically adopted a rather particular set of views of human, organizational and social rationality and the relationships between accounting, decision making and organizational action" (1980, p.13). To counter such tendencies, the view that the purposefulness of accounting is socially constructed is adopted (see Burchell et al 1980; Hopwood 1983). This view proposes that there is no obvious, self-evident answer to the prominence of accounting in organizations in modern industrial societies. The general problematic therefore, is how accounting practices have been made purposeful in organizations; to enquire into how accounting came to have, and has maintained, a position of organizational significance.

In arguing for the rejection of the inherent functional imperatives view of accounting practices, Burchell et al state that "...accounting can no longer be regarded as a mere collection of techniques for the assessment of economic magnitudes" (1980, p.6). They argue that the uses to which various accounting practices are put and the names in which they are used have much wider effects than just the calculation of sets of economic numbers. However, while such arguments are important in drawing our attention to the dynamic, multiple uses of accounting, they should not divert it from the essential point that a system of financial measurement is the core of accounting practices. In this regard the operational definition of an accounting system suggested by Laughlin (1984) is adopted for this study. An organizational accounting system is a

"...formal system which expresses in fundamentally numerical terms past, present and future financial actions of such an enterprise" (Laughlin, 1984, p.8).

The identification, interpretation, coding, and aggregation of these actions is accomplished by the application of various sets of rules of a general, industry or organizational specific nature.

Laughlin (1984) makes two important general points about this definition. First, no distinction is made between various sorts of accounting systems. Both financial and management accounting distinctions can be accommodated within the definition. At the organizational level of analysis such distinctions may be either difficult or arbitrary in practice anyway (Swanson, 1978). Second, the definition makes no direct claims about the purposefulness of
accounting. However, this is already implicit to some extent in the notion of what is measured, and in the conception of an accounting system as a measurement and communication system.

The essential point is that, as an initial working hypothesis, the financial magnitudes produced by accounting systems as abstractions of some of the actions of an organization should be seen as the core of the dynamic, myriad practices labelled accounting at various points in time. An understanding of how these practices can become purposeful should start from an understanding of how these types of measurements may be purposeful. Always allowing for the case, of course, that some uses may only be loosely connected to the attributes of these numbers.

When proposing the problematic in these broad terms, it is proposed that three major points should be noted. First, accounting is not a coherent entity. It both changes over time, and at any particular point in time and space the purposes, if any, that accounting serves may vary (Hopwood 1983; Loft 1986; Miller and O’Leary 1987). Therefore, any analysis needs to recognise that accounting is a generic term for a myriad of different practices that can be used in many different ways. Second, human rationality cannot be tightly defined as the traditional notion of logical decision making, rather multiple forms of rationality exist (for example, Berry et al 1985; Dermer and Lucas 1986). Rationality should be more broadly viewed as socially constructed meaning systems which provide sets of rules for meaningful action (Brunsson 1982; Schutz 1967). Third, given the two preceding points, any understanding of the relationship between accounting and human action must be contextualized. It must consider the various uses of particular accounting practices, the forms of rationality to which they are linked and the nature of the settings in which this takes place. These points focus attention on the social nature of the production and reproduction of the purposefulness of accounting and thereby the indeterminate nature of the significance of accounting in organizations.

A Skeletal Model of the Purposefulness of Accounting

However, a danger of such a focus is that it can lead to the adoption of an extremely relativist position on the nature of the significance of accounting. In an attempt to avoid this, Figure 1.1
suggests some tentative and incomplete answers to some general boundary conditions on the potential for accounting to be purposeful in organizations.

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**Figure 1.1: Summary of General Boundary Conditions on the Purposefulness of Accounting**

The basic premise of the potential purposefulness of accounting expressed in Figure 1.1 is that accounting can be 'functional' for the administration of organizations because it provides a particular form of visibility into and of economic means-ends relationships. This potential flows from the basic nature of accounting as an abstract financial measurement system. As such it possesses a range of characteristics common to written communication systems which are functional for certain administrative processes. Stinchcombe (1974) has argued that written communication is an important basis for the functioning of industrial administration. This is because it possesses four distinctive features that oral communication does not:

1. Writing abstracts from the complexities of the subject of communication.
2. Writing provides a relatively immutable record of its subject.
3. Writing enables the use of algorithms, sequential methods of calculation of complex problems, or systematic organization of the elements of thought.
4. Writing provides a portable product with minimal chance of change in the elements upon transfer.

These features enable a more systematic, analytic and potentially remote (that is, longer chains of command) form of management than would otherwise be possible. Accounting possesses all of these features, thereby creating a potential for its 'usefulness' for industrial administration; a potential that was explicitly recognised by Stinchcombe (1974). In addition, as an interpretive process, the indexical nature of accounting rules increases the potential range of uses that accounting numbers may fulfil.

However, the potential purposefulness of accounting is also dependent on an appropriate organizational context for the above characteristics to be useful. In a very general sense, this requires a capitalist firm. In such firms a central problem is the management of their economic means-ends relationships. These propositions are taken from the writings of Max Weber (1927, 1947), who emphasized the achievement of narrowly specified economic goals in rational-legal bureaucracies through the use of a rational calculative basis of management (see also, Albrow 1970; Salaman 1979). Further, Weber proposed a general tendency towards such rationalization of all forms of capitalist organizations. While there are many complexities of modern organizational existence and a variety of points of resistance that restrict the extent of this rationalization of economic life, it is still seen as the dominant theme of capitalist organization (see Morgan 1990).

Accounting is directly relevant to this process of rationalization. As Stinchcombe argued:

"The rationalization of economic life involves setting up systematic dictates or norms for efficient productive activity, and then governing factories or commerce by them. Weber emphasized, especially, the analysis of activities in terms of money and the control of such activities in terms of financial accounts" (1974, p.45).

Thus, a central role in the rationalization process is the movement from qualitative to quantitative, especially monetary, modes of thinking and acting.
"In particular, organizations had to be able to measure and think in terms of costs, revenues, etc.; the relationship between means (the utilization of capital and labour) and ends (the goal of profit - indeed, in more general terms, what profit was) had to be clarified" (Morgan, 1990, p.95).

Accounting, therefore, was 'functional' for the rationalization of economic life in capitalist organizations because it provided a means of thinking about and acting upon the basic economic means-ends relationships central to these organizations [The form of the above argument and other ways in which Weber's work may impact upon an understanding of accounting in action are explored more fully in Colignon and Covaleski (1991)]. The basic characteristics of accounting and this particular capitalist firm context for its use, therefore, are both actively implicated in creating the potential for accounting to be purposeful.

However, this does not imply that accounting is purposeful for all organizational participants. The control problem of the management of their economic means-ends relationships is essentially a managers' problem as they are structurally cast in roles where they have to give effect to actions aimed at developing and achieving the ends of the organization (Clegg 1989; Storey 1985). To do so they have to intervene in and influence both technical processes and the actions of other managers and workers; and hold the actions of these other to account (see, also, Batstone 1979; Gowler and Legge 1983; Roberts and Scapens 1985). Therefore, the characteristics of accounting are most potentially relevant for managers. But in modern capitalist firms, managers are composed of a range of occupational groups with differing expertise. These groups may possess alternative solutions to the control problems of the firm (Armstrong 1984, 1985, 1986, 1987a). These different solutions can form an 'occupational ideology' which a group uses to promote its own importance within the management function and which other occupational groups resist. Such ideologies may be expected to be particularly strong for occupational groups who are linked to a profession.

Accounting is not the sole, or even obviously the 'best', way in which the economic means-ends relationships may be managed. Accountants within the firm, as a management group, will be more likely to see accounting as purposeful and can be expected to be actively involved in the construction of the relevance of accounting to the control problems of the capitalist firm, both by promoting their own occupational solutions and in constructing how the problems are
perceived in the first place. The ability to do so is enhanced by the role the accounting profession plays in the general development of accounting within capitalist societies. Accountants, therefore, may play a significant role in constructing accounting as a ‘better’ solution than those of other occupational groups.

Finally, the potential purposefulness of accounting is also affected by the types of effects that it can have on managers’ actions. The above discussion of its creation of the visibility of means-ends relationships emphasizes the enabling by accounting of a wider range of managerial action which generally draw upon its objective effects. For example, it has been proposed above that accounting allowed managers to get a practical grasp on their costs, revenues and profits, and even to construct a clearer view of what the goal of profit meant and how costs and revenues could be controlled to achieve it (Morgan 1990; Stinchcombe 1974).

However, this visibility can also be constraining to the extent that it penetrates and dominates other alternative ways of thinking and acting. For example, Hopwood (1983) has argued that the visibility made possible by accounting makes more prominent and significant an economic conception of organizational life and has also propagated a view of a disinterested, neutral and rational way of administrative action (see, also, Burchell et al 1985; Hopwood 1984, 1987; Loft 1986; Miller and O’Leary 1987). Accounting thereby tends to allow only the articulation of a particular set of interests and to restrict action to that to which a calculative form of logic can be applied. It particular, this can be linked to the subjective effects of accounting, whereby it constructs restricted views of rationality and moral orders in the firm; that is, what it means to be a ‘good’ and a ‘bad’ manager (Batstone 1979; Bariff and Galbraith 1978; Booth 1988; Gowler and Legge 1983; Markus and Pfeffer 1983; Roberts and Scapens 1985). Paradoxically, this constraining aspect of accounting may also increase the potential for its significance by allowing for its penetration into areas where the relevance of its ‘functional’ characteristics are less clear.

The potential for the purposefulness of accounting, therefore, is a complex construction of its particular characteristics, the organizational type within which these characteristics are ‘relevant’, the occupational groups which may use and/or promote and/or resist this relevance, and the dual positive and negative effects that
accounting may have. It is not proposed that the very general argument
developed above fully explains the purposefulness of accounting, or
that it even necessarily captures all the major factors involved. Rather,
it is proposed as a 'skeletal' model (Laughlin 1990a). Laughlin
(1990a) states that skeletal models are incomplete theorizations which
may be applicable across a wide range of situations, but which require
specific empirics to flesh them out. They allow both variety and
generality in thinking. In this sense, the simple model in Figure 1.1 is
a basic schematic that allows more specific questions to be formulated
both about whether the various factors identified are important (for
example, what is the role of the accounting profession) and if, and
under what circumstances, the boundary conditions hold (for example,
for type of organization). Used in this way, the model can sensitize the
researcher to potentially interesting dimensions of the complex
question of the purposefulness of accounting.

**Applying the Model to Voluntary Organizations**

A central dimension of the skeletal model was the
rationalization of economic life. It was argued to be a prime basis for
the characteristics of accounting to be seen as functional. Also, these
very characteristics themselves could play a part in enabling the forms
of thinking and acting necessary for rationalization to develop. Weber
(1947) argued that rationalization was an increasing feature of modern
capitalist societies. This type of argument has been a feature of much
of the labour process literature (see Thompson 1989 for a detailed
review). It has also been argued that this process of increasing
rationalization has gone beyond capitalist firms and has also
penetrated state and other non-capitalist organizational types (for
example, DiMaggio and Powell 1983; Hopwood and Tomkins 1984;
Meyer and Rowan 1977). If this is so, then using the skeletal model, it
would be expected that the purposefulness of accounting has also
spread beyond the specific setting of the capitalist firm.

Morgan (1990), in a useful summary of some of this literature,
argued that this process has indeed occurred. He states that the use of
accounting and control systems which focus managerial strategies on
measurable characteristics of work performance and measure success
or failure in terms of financial criteria have become a powerful image
in modern organizations, particularly where work relations are money-
Management Control in a Voluntary Organization

based (see also, Hopwood 1983; Hopper et al 1987; Miller and O’Leary 1987). Also, the dominance of calculability and rationalization in capitalist firms has developed into a powerful, legitimate model of management in industrial societies which it is increasingly difficult for other firms to avoid. Therefore, Morgan argued, the "...structure of rationalized relations in capitalist organizations are imposed on other money-based forms of organization" (1990, p.125).

However, these processes of rationalization are not complete or without resistance for at least two reasons (Morgan 1990). First, rationalization is based on the imposition of particular forms of knowledge, and, as Foucault (1979, 1980) argued, such power-knowledge relations continually give rise to forms of resistance and non-compliance; for example, the gap between the myth and actuality of rational control in educational organizations argued by Meyer and Rowan (1977). Second, there are also other bases of organizational legitimation, particularly in non-capitalist organizations. "Within the organization,...[therefore]..., the techniques of rationalization, etc., continually run up against problems, particularly the recalcitrance of human beings and technology, which within the state and civil society is magnified by competing non-calculable ideals such as citizenship and formal equality" (Morgan 1990, p.126).

This argument suggests that there may be specific limits to the purposefulness of accounting. Organizations in the 'state and civil society' may be sites where there is significant resistance to the processes of rationalization and thus, to the significance of accounting. In particular, Morgan (1990) proposes that the most extreme general sites of such resistance may be voluntary organizations, as they are based on strong non-calculable ideals.

A further basis for such an assessment can be seen if we consider another of the boundary conditions specified in the proposed skeletal model; the role of managers in the control function. It was argued that managers are structurally cast in roles where they have to address the control problems of organizations and that they often have to achieve this through other managers. The accounting literature has long recognised that an important attribute of relations between managers is their agency nature (Baiman 1982, 1990; Scapens 1984). However, the purely economic conception of the agency relationship
used has been widely criticised (Chua 1986b; Tinker 1980, 1985). Recently, Simon stated that:

"The problem I have with the agency literature ... is that this theory seems to look almost entirely at economic inducements. This theory also seems to assume that leisure is such a desirable good that people are intrinsically shirkers and that they will only do what can be enforced. There is a tremendous amount of psychological evidence that contradicts this: human beings are not only capable of acquiring strong loyalties to organizations ..., they are also incapable of not acquiring them. We must look at loyalty structures to learn what ties people to organizations" (1990, pp.660-661).

Similarly, Armstrong (1989a) has argued that trust and loyalty are generic features of the relationships between managers and a key to understanding the nature of agency in management. He proposed that trust and management control systems are alternative modes of solving the agency problem - how to ensure that managers with delegated responsibility act in the interests of their superiors. As Fox (1974) points out, trust and management control systems are conflicting mechanisms. The whole underlying assumption of management control systems, particularly their monitoring functions, is distrust of managers. Armstrong (1989a) extends this further by arguing that it may be more expensive to maintain trust than alternative control systems for some situations. Therefore, a contradiction exists in that trust is the basis of manager relationships but managers may have economic incentives to use cheaper management control systems based on distrust. Management, therefore, has to make choices about the trade-off between their reliance on trust and on management control systems.

It can be argued that the importance attached to trust by managers and the relevance of economic incentives varies between capitalist and voluntary organizations. In the capitalist firm the strong conception of control problems in terms of economic means-ends relations emphasizes the relevance of economic incentives over reliance on trust. Also, as Armstrong (1989a) points out, some managers may increase their trust relation with their superiors by sacrificing such relations with their subordinates through the implementation of more cost effective controls. The relevance of a broad range of accounting practices may be increased in such circumstances as their design is based on a presumption that managers cannot be trusted (Caplan 1966; Carmichael 1970), thus potentially allowing the avoidance of the costs of obtaining and maintaining trust. Also, the existence of reasonably clear, quantifiable and often money-
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based performance criteria in such firms enable accounting to act as a substitute for trust. Therefore, the significance of accounting in capitalist firms may be related to its cost effectiveness as a substitute for trust in an environment with certain features that may discount the relevance of trust as a basis of manager relations.

In contrast, the non-calculable ideals of voluntary organizations would not be expected to provide similar support for economic incentives over trust. Indeed, one of the basic distinctions of voluntary organizations, discussed in the next section, is the commitment of both members and managers to such ideals (Handy 1988). Further, Rothschild-Whitt (1979) argued that the basis of control in voluntary organizations was personalistic and moralistic appeals to these shared values. Trust, therefore, may be assumed to be a more highly valued component of managers' relations in voluntary organizations. Also, for the same reasons it follows that trust may be cheaper and easier to obtain and maintain in such organizations. In voluntary organizations, therefore, it would be expected that there are disincentives associated with substituting management control systems for trust. In these circumstances, the relevance of accounting practices is thus reduced, and they may even be perceived as antithetical to the values of such organizations. In addition, the performance criteria of voluntary organizations are often vague and usually difficult to quantify, especially in monetary terms, thus making it more difficult for accounting practices to substitute for trust even if there were incentives to do so. Overall then, the pattern of incentives in voluntary organizations favours trust over the use of accounting and other management control technologies. Indeed, resistance to the use of such control systems may be expected as they clash with the values of such organizations.

The potential strong resistance to the processes of rationalization and the associated possible lack of relevance of accounting in voluntary organizations, based on their differences in dominant ideals and structural characteristics to capitalist firms, make them suitable empirical sites for assessing the limits of the skeletal model of the significance of accounting in organizations. As 'negative' (Glaser and Strauss 1967) or 'deviant' (Mitchell 1983) or 'extreme' (Scapens 1990; Yin 1989) cases, such sites may be the most fruitful for increasing the understanding of the purposefulness of accounting as;
i) the relevancy of the characteristics of accounting may be more open to question,
ii) the ability of rational calculation to address ‘the organizing problems’ of the organization may be less clear,
iii) the differences between the occupational groups in terms of expertise and ‘solutions’ may be more extreme (for example, between social workers and accountants in a welfare agency) and thus
iv) open resistance to, and even rejection of, accounting may be closer to the surface.

In Laughlin’s (1990a) terms, they should be rich empirical sites for ‘fleshing out’ the basic ‘skeletal models’ of the purposefulness of accounting provided by the existing literature. Voluntary organizations, therefore, are selected as the focus of this study.

The selection of voluntary organizations is also justified because they form part of an increasingly important sector of modern industrial societies (Harris 1990; Kramer 1990). In the Australian context, it has been recently estimated that 6% of work places are voluntary organizations and that they employ about 221,000 people, approximately 5% of the workforce (Callus et al 1991, chapter 2). Despite the significant size of the voluntary sector, it has been relatively ignored in the organizational literature (see Harris 1990 for a review). Harris concludes that “…we remain desperately short of descriptive and analytical studies of how groups and organizations within the voluntary sector carry out their work” (1990, p.138). The same is true of the accounting literature, most of which has focused on capitalist firms. Also, in recent years state-based organizations have received increasing attention, particularly over the issue of the penetration of accounting into their management (for example, Berry et al 1985; Chua and Degeling 1989; Hopper et al 1986; Hopwood and Tomkins 1984; Nahapiet 1988). In contrast, little attention has been given to voluntary organizations such as trade unions, religious organizations and non-state based welfare agencies, particularly to detailed studies of accounting in action. A notable exception is Laughlin’s (1984, 1988, 1990a) work on the Church of England.

Having selected voluntary organizations as the focus for this study, the problem still remains of what type of voluntary organization best meets the criteria of a negative or deviant case. To do this requires the development of a typology of voluntary organizations.
III. A TYPOLOGY OF VOLUNTARY ORGANIZATIONS

What precisely are voluntary organizations? Handy (1988) states that such organizations are most often defined by what they are not; they are not profit-seeking, they are not government-run. He sets out five overlapping types of voluntary organizations: service providers (e.g. Red Cross), research and advocacy (e.g. People for Nuclear Disarmament), self-help groups (e.g. Alcoholics Anonymous), clubs and societies for leisure interests (e.g. a local origami society), and intermediary bodies (e.g. Australian Council of Social Services). What features do all these types have in common? While this issue is considered in more depth in chapter 2, some major characteristics are summarized in Table 1.1.

1. Membership is voluntary. It is based on belief in the goals of the organization and a commitment to the values of community and democracy.
2. Members generally do not gain direct material rewards for their involvement in the organization; that is, the organizations are normally nonprofit.
3. Also, there is a tendency to minimize the wage relationship. This can occur in two ways. First, members may provide volunteer labour, replacing the need for paid-staff. Second, where paid staff are used they are often involved with the organization because of personal commitment to its goals, not just the receipt of a wage.

<table>
<thead>
<tr>
<th>Table 1.1: Major Characteristics of Voluntary Organizations</th>
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The key distinction of voluntary organizations is that the "...people are there because they want to be there" (Handy 1988, p.2). Members join and stay with the organization primarily because they have a personal commitment to its goals. Thus, the members of the People for Nuclear Disarmament and a local origami society both form and continue their organization because of this personal belief in the specific ends of each. Rothschild-Whitt (1979) also emphasized the importance of voluntary membership, adding that this was generally associated with a commitment to the ideal of community. While the specific goals of voluntary organizations may differ, all are similar in their commitment to the idea that authority resides with the collectivity as a whole. This commitment emphasizes the values of free association, co-operation and consensus. Voluntary organizations,
therefore, are primarily characterised by a membership who adhere to broad social values of community and democracy.

This voluntary association also means that members generally are not paid or receive no material rewards for their involvement in the organization, unlike a basic reason for most involvement in capitalist firms. This does not mean that a voluntary organization cannot advance its members’ material interests, as in trade unions for example, but that this reason is more a special characteristic of some voluntary organizations rather than a primary characteristic of all. A key implication of this is that the most important relation of members to the organization is not money-based. Therefore, the use of rational calculation is less obviously relevant to the satisfaction of members’ ends.

This form of involvement also tends to distinguish members from the paid-staff who may carry out the day-to-day running of the organization. One major implication of this is that the organization is often dependent on its membership for either the labour force to fulfil its goals and/or the raising of funds to finance goal achievement. Also, the relationship between staff and members may be complex and sometimes in conflict (Billis 1984, 1989; Handy 1988; Morgan 1990). Professional staff in particular may espouse values which challenge the values of the organization. However, this problem is often reduced by either the deliberate hiring of staff who support such values or the fact that such staff are often attracted to such positions because of their personal beliefs. The voluntary basis of membership also, therefore, tends to permeate the nature of the relationships between members, staff and the organization.

The key features of voluntary organizations, therefore, are that their members share a commitment to the values of free association, co-operation and consensus, and that the survival of the organization is dependent on the continued support of its membership. Thus, the main organizing problem of such organizations is to maintain their membership through maintaining their basic community and democracy values and achieving their specific goals (Handy 1988; Rothschild-Whitt 1979). According to Morgan (1990), this is the key feature that distinguishes them from capitalist firms and is the main basis of their resistance to the processes of rationalization.

The construction of a typology of voluntary organizations to enable the selection of an extreme type for the exploration of the limits
of rationalization, therefore, should focus on the basis of membership involvement. To the extent that the reason for involvement in the voluntary organization may be more materialistic, then there is likely to be less conflict with the use of rational calculation. This is so because the means-ends relations of the organization should be more money-based. In this vein, Morgan (1990) suggests that voluntary organizations may vary along a spectrum from the more immediately materialistic to the altruistic. This spectrum is shown in Figure 1.2. From this spectrum it is argued that churches and charities are more likely than trade unions and employer associations to resist the processes of rationalization.

<table>
<thead>
<tr>
<th>Materialist</th>
<th>Material &amp; Social</th>
<th>Altruist &amp; Social</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Unions</td>
<td>Political parties</td>
<td>Charities</td>
</tr>
<tr>
<td>Employer Associations</td>
<td>Leisure clubs</td>
<td>Churches</td>
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Figure 1.2: A Form of Membership Involvement Based Spectrum of Voluntary Organizations

Another characteristic of voluntary organizations which may directly affect the importance of money-based means-ends relations is the source of funding. Anthony (1978) argued that there were two main ways in which voluntary organizations raised funds. The first was either charges levied for outputs, although these charges are not usually a full market price, and membership fees. Examples are many non-profit hospitals, private clubs, trade unions and private universities. The second method was dependence on endowments, property rents, donations and grants. Examples are most health and welfare agencies and religious organizations. These two methods can be viewed as two extremes from which the total funding of the organization can be obtained. This funding source spectrum is shown in Figure 1.3.

At the direct charges end of the funding source spectrum there is a direct relationship between the provision of benefits by the organization and the funding it receives. This tends to enable at least some of the means-ends relations of the organization to be constructed as money-based. They are thus more amenable to management by
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Rational calculation and the use of financial criteria of success (see Anthony and Young 1984). At the other end of the spectrum there is only an indirect relationship between those receiving the outputs of the organization and those providing the funds. This funding arrangement breaks down the money-based nature of the means-ends relations of the organization, and thus the applicability of rational calculation and financial criteria of success. The funding sources spectrum also, therefore, supports the selection of churches and charities as extreme cases.

<table>
<thead>
<tr>
<th>Charges &amp; Fees</th>
<th>Mixture of Sources</th>
<th>Endowments &amp; Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Unions</td>
<td>Political parties</td>
<td>Charities</td>
</tr>
<tr>
<td>Leisure clubs</td>
<td></td>
<td>Churches</td>
</tr>
</tbody>
</table>

Figure 1.3: A Funding Source Based Spectrum of Voluntary Organizations

The two spectrums of voluntary organizations along the dimensions of form of membership involvement and funding source, therefore, give a typology of the relative importance of money-based means-ends relations in such organizations. This typology identifies churches and charities as the types of voluntary organization where the processes of rationalization are likely to meet the most resistance. An analysis of the uses of accounting in these types of voluntary organization then should provide a better understanding of the limits of the purposefulness of accounting.

For the purposes of this study churches are selected as the focal type of voluntary organization. The reasons for this choice are:

i) The typology was unable to distinguish between the altruistic and ‘other directedness’ of charities and churches. However, churches are intuitively appealing cases of the most extreme organizational site of a non-calculable basis of the legitimation of actions. As Thompson argued:

“...perhaps more than most organizations, religious bodies have a strong ideological commitment and concern that extends to the point where even the rationality, according to which they evaluate their organization, may stress criteria of symbolic-appropriateness rather than of calculable efficiency” (1975, p.2).
Further, the ‘symbolic-appropriateness’ stressed is fundamentally transcendental. It appeals to the “...essential element of religiosity, i.e. God, eternity, etc. ...[which]... defies rational proof and calculation” (Morgan 1990, p.152). Churches, therefore, are felt to be potentially more fruitful sites than charities.

ii) Laughlin’s (1984, 1988) work on the Church of England in the United Kingdom has demonstrated the potential of the study of churches for a better understanding of the purposefulness of accounting (see Booth 1993 for a fuller discussion of this issue). His work is considered further in chapter 2, but one of his main arguments was that churches have a set of key social dynamics involving the interaction of the sacred and the profane, with the former dominating. The sacred world is concerned with spiritual issues, and the profane with the material world. Accounting was analysed as linked with the profane and consequently key limits were placed on its use in the Church of England because of the social dynamics between the sacred and the profane.

iii) Churches have received relatively very little attention in the accounting literature. Also, most of that which does exist either merely normatively or uncritically seeks to prescribe ‘appropriate’ accounting practices or provides traditional historical analyses of the uses of certain accounting practices by specific churches. Little critical analysis of accounting in action exists (see Booth 1993).

iv) Finally, churches are significant organizations. They have a large number of the population as adherents, they are channels for large sums of financial and other resources, and they provide a significant proportion of health and welfare services through a wide range of church affiliated agencies (Kaldor 1987).

Churches, therefore, are an important part of society and a potentially interesting site for the study of rationalization and the purposefulness of accounting. Laughlin (1988) goes as far as to argue that an understanding of churches may also give us insight into a wide range of other organizations. He states that in secular society many forms of behaviour still evidence quasi-religious overtones by being orientated to new ‘sacred’ foci; for example, clinical freedom claims of doctors in the National Health Service (Bourn and Ezzamel 1986a, 1986b) or academic freedom in universities (Bourn and Ezzamel 1987). An understanding of the purposefulness of accounting in churches may
therefore provide a strong basis for generalization to many other organizational types.

It has been argued in this section that the key characteristics of voluntary organizations, particularly their commitment to the values of community and democracy, create a setting in which the legitimacy of rationalization is open to challenge. The relative extent of the potential for such challenge was rated along two dimensions of voluntary organizations which were argued to affect the relevance of money-based means-ends relations. These were form of membership involvement in the organization, from materialistic to altruistic and social, and the source of funding, from direct charges and fees to endowments and grants. Both of these dimensions identified charities and churches as the main types of voluntary organizations where rationalization would be least legitimate. Churches were then selected as the focal type of voluntary organization for this study primarily because they were felt to have the most non-calculable legitimation basis in their commitment to the essential elements of religiosity.

IV. OVERVIEW OF FINDINGS

The major findings of this study can be summarized under two aspects, the level of significance of accounting within the Northern Division of the Mainstream Church and the form of explanation provided for this finding. These are briefly overviewed below.

Overall, it was found that accounting had a variable significance in the Northern Division using a variety of technical sophistication, quantitative process, and qualitative outcome measures. The accounting systems of the Division were sophisticated, but the extent of their impact on its management appeared limited. Within the main religious orientated operational units, accounting had little impact, and where used it was treated as secondary to the sacred religious functions of these units. Accounting was more significant in the main administrative support unit, but still the subordinate position to sacred activities appeared to exist. The clergy and other religious orientated managers were the strongest promoters of the dominance of sacred functions. While accountants also appeared to accept this position, they promoted a more active role for accounting as a necessary support function for sacred activities. Therefore, the tendency was for accounting to play a limited and subordinate role in
the management of the Division. However, there were two partial exceptions to this tendency, details of which are provided in chapters 5 and 6.

A control processes explanation (Bray and Littler 1988; Clegg 1990) is offered for this overall limited, but variable, significance of accounting within the Northern Division. In doing so, competing explanations based on efficiency arguments (Chandler 1977; Donaldson 1987; Williamson 1983) and cultural diffusion (DiMaggio and Powell 1983; Meyer and Rowan 1977) are rejected as they provide only partial understandings of the findings. A critical structuralist variant of a control processes explanation for churches is developed from the work of Armstrong (1984, 1985, 1986, 1987a) on business organizations. This stresses the importance of the different control problems of churches, particularly the tension between dominant sacred religious values and goals, and more secular coordination and administrative support functions, the actions of competing occupational groups, particularly conflict between the occupational views of the clergy and accountants, and the opposing prioritizing effects of sacred and secular crises in providing a means of understanding the use of accounting within churches.

V. CHAPTER SUMMARY

This chapter has outlined how this book is concerned with the study of accounting as a situated practice. As such it seeks to add to the rapidly growing research on accounting in its social and organizational context. This contribution is attempted through a critical structuralist framework applied to a case study of the uses of accounting in the Northern Division of the Mainstream Church.

The general problematic proposed to guide the study was - how does accounting achieve and maintain a position of organizational significance? The importance of this problematic was based on the premise that it is a generally irrefutable fact that accounting has obtained and continues to maintain a significant position in the affairs of a wide array of modern organizations. This position was problematized by arguing that the purposefulness of accounting is socially constructed, and that therefore there is no self-evident answer to the prominence of accounting in modern organizations. This problematic draws attention to the dynamic and diverse roles that
accounting serves in and across organizations. Therefore, research must question the various uses of accounting that exist, the forms of rationality to which they are linked and the nature of the settings in which this takes place.

To provide some focus for this problematic, a basic set of boundary conditions were argued as a 'skeletal' model to allow more specific questions to be formulated about the factors and conditions that may be potentially important for the purposefulness of accounting. This model proposed that accounting has certain characteristics which enable a particular form of visibility into and of economic (money-based) means-ends relationships in an organization. This is potentially useful as a way of understanding, addressing and formalizing the management of such relationships, which is a central organizing problem for capitalist firms. However, accounting is not the sole, or even obviously the 'best', way in which economic means-ends relationships may be managed. Other managerial occupational groups may possess alternative solutions. Therefore competition between various occupational groups may affect the significance of accounting in organizations. However, the scope of this competition may be limited by accounting constraining the ability of managers to use other ways of thinking and acting to the extent that it penetrates and dominates these alternatives. This may happen through the involvement of accounting in the construction and propagation of restricted views of rationality and moral orders in the organization, including the nature of trust relations between managers and others. The potential for the purposefulness of accounting, therefore, may be a complex construction of its particular characteristics, the organizational type within which these characteristics are relevant in some way, the occupational groups which may use and/or promote and/or resist this relevance, and the dual positive and negative effects that may result from the use of accounting.

It was then argued that these processes of rationalization were increasingly penetrating organizations in the State and civil society, but that there were many forms of resistance to this tendency. In particular, the commitment of voluntary organizations to the values of community, democracy and trust represented a non-calculable basis of organizational legitimation which was a direct challenge to processes of rationalization. Voluntary organizations, therefore, were selected as extreme cases that would enable a clearer conception of the limits of
the processes of rationalization and the potential purposefulness of accounting to be developed. Also, the selection of voluntary organizations was justified on the basis of their increasing significance in modern industrial societies and that they have been relatively ignored by accounting and organizational researchers.

Having selected voluntary organizations, a typology was then argued to enable the selection of a most extreme case. This typology was based on two dimensions of voluntary organizations which were argued to affect the relevance of money-based means-ends relations; the form of membership involvement, from materialistic to altruistic and social, and the source of funding, from direct charges and fees to endowments and grants. From these dimensions churches were selected as the form of voluntary organization where rationalization would be most contested, particularly because their commitment to the essential elements of religiosity provides a very non-calculable basis of organizational legitimation.

This sequence of arguments, then, sets out a basic framework of ideas for the conducting of this study. They problematize the significance of accounting in organizations, suggest general factors that may be associated with the social construction of this significance, and use these to identify potentially rich sites for empirical study.

The next chapter develops the basic framework of a control processes explanation of the significance of accounting in voluntary organizations, and churches specifically. It reviews the basic arguments of a critical structuralist approach to the understanding of the variety of management control strategies in business organizations and its applicability to the study of accounting. These ideas are reformulated to the specific case of churches, first by considering the nature of management control in voluntary organizations generally, and then adapting these to the case of churches.

Chapters 3 to 6 detail the case study of the Northern Division of the Mainstream Church. Chapter 3 deals with research method, justifying the selection of the case organization, describing some basic features of the organization and detailing the data collection methods used. Chapter 4 analyses the formal attributes of the Division accounting systems and considers how the financial dynamics of the Division may have affected their use. Chapter 5 evaluates the use of the accounting systems by sacred and secular occupational groups within the Division during 1987. The formulation of the 1988 Division
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Budget is considered in depth in chapter 6, including the historical dynamics of Division budgeting processes.

Chapter 7 summarizes the major findings and compares the control processes explanation offered to other competing explanations. The final section of the chapter attempts to assess the generality of the findings by considering major trends in management control in voluntary organizations. The study concludes by proposing that a control processes analysis may offer a useful way to understand the dynamics of management control in voluntary organizations.

Notes

1 There is wide acknowledgment that accounting rules are incomplete, inconsistent, and lacking in 'representational faithfulness' (for example, Tricker 1979). It is proposed in this study that these features inherently flow from the interpretive basis of accounting as one form of social rule system (see, Cooper et al 1981; Hines 1988). Social rules systems tend to be indexical in nature, that is that their meaning depends on the context in which they are used (Barnes 1986; Clegg 1975; Schwartz and Jacobs 1979). Social rules, of which those of accounting are one form, "...can never provide for their own interpretation. Issues of interpretation are always implicated in the process whereby...[people]... instantiate and signify rules. Ruling is an activity" (Clegg 1989). The indexical nature of accounting rules, therefore, expands the ways in which accounting practices may act as useful forms of written communication.

2 See also Cooper and Hopper (1987) for a more detailed discussion of what functions accounting may fulfil for capitalist firms.

3 It is not the intention to assert that this simple proposition fully explains the way in which accounting historically grew to prominence in capitalist firms. As many different studies have shown (for example, Armstrong 1987a; Chandler and Deams 1979; Johnson 1983; Loft 1986; Miller and O'Leary 1987), the continuities and discontinuities of, and conditions influencing, the rise of accounting were much more complex. However, it is felt that the proposition here is generally consistent with these more detailed accounts, and forms an important basic condition for understanding the possibility of the purposefulness of accounting.

4 That accounting can have both objective and subjective effects on the actions of managers has been a contested issue. The traditional accounting literature has concentrated on the objective effects of accounting. In simple terms, accounting was seen as a source of 'facts' which mirrored some aspect of the activities of organizations. Correct measurement and 'reading' of these facts allowed managers to take 'correct' actions to achieve the goals of the organization. The more recent critical and interpretive accounting literature has questioned the validity of these objective effects and
concentrated on its subjective effects. Again in simple terms, accounting was seen as a meaning construction process through which 'reality' was created rather than mirrored. Thus facts were not there to be read and acted upon, but to be interpreted and to provide a way for managers to rationalize and attach meaning to past, present and future actions (see Chua 1986a, and Hopper and Powell 1985 for reviews of both approaches). The confrontation of these two positions has a tendency to lead to the creation of a false dichotomy. Instead, the position adopted here is that accounting can have both objective and subjective effects (Boland and Pondy 1983; Chua 1988).

In proposing this duality, that accounting is fundamentally an interpretive process is accepted. In Morgan's (1988) terms, "...the basic subjectivity of accounting..." must be accepted. However, while this rules out the objective view of accounting as mirroring reality, it does not rule out that there may be some objective effects. The view offered by accounting numbers may give some insight that managers can use. For example, as Stinchcombe (1974, Ch 1) argued, if managers have to determine how to increase the productivity of an interdependent technological system then fundamentally they must have some way of monitoring the system in terms of the likely actions that have to be taken to change it. If one of these is cost, then accounting numbers can give the managers a view of that system that both enables their intervention and their monitoring of its effects. This is not to argue that accounting numbers give 'a true and objective' view but merely a view that reflects something about the activity that is measured. It is in this sense that it should be emphasized that accounting is still fundamentally a measurement and communication system and thus can have objective effects for managers.

There is a large literature on accounting in various forms of not-for-profit organizations. However, much of this literature either deals with state organizations or concentrates on technical financial reporting issues (see, for example, Hay 1980; Henke 1986).

Churches have also received little attention in the organization theory and sociology of organizations literatures, the emphasis of study being on work organizations (Thompson 1975).
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