Budgeting in an independent church:
a social capital perspective.

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1.0 Introduction

There has been considerable research carried out in the field of budgeting in denominational churches. Some of this work investigates budgeting practices in the head office of a denominational church (Lightbody, 2000, 2003; Parker, 2002; Jacobs 2005), whereas other researchers have studied the process of budgeting in a local church (Cunningham and Reemsnyder, 1983; Kluvers, 2001; Irvine, 2005).

The sacred/secular divide as a theoretical context for budgeting has dominated much of the church budgeting literature (for example Kluvers, 2001; Parker, 2002; Irvine, 2005; Jacobs 2005). This divide was first proposed by Laughlin (1988,1990) and extended and refined by Booth (1993). 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, p251).

This paper seeks to analyze the budget process in a religious organization from an entirely different perspective to that of previous studies. This study investigates church budgeting from a social capital perspective. Traditionally, budgeting has been represented as a rational means of resource allocation and of achieving control. However, Wilson and Chua (1993) suggest that budgets are Janus-like. Janus is “the Roman god of doorways, passages, and bridges. In art he is depicted with two heads facing opposite ways” (Collins Concise Dictionary, 1999, p770). One face is the public, rational face, whilst the other is a private, political face. Both faces are equally valid and both may appear at different times during the budgeting process. The political face is in direct contrast to both the rational face and to inter-personal
trust, which is integral to the concept of social capital. Trust is likely to be a rare and precious commodity when budgeting becomes a manipulated, political process.

“…organizations are coalitions of people with diverse aims and who compete for scarce resources. In the process of obtaining these resources, alliances are formed, friends persuaded and enemies created through battles over budget allocations. And budget allocations often represent political compromises. As such, they are often the outcomes of political contests rather than the result of the application of ‘rational’, neutral decision rules” (Wilson and Chua, 1993, p274).

The remainder of this paper is structured as follows. The next section summarises the literature on social capital, social capital and religious organizations and social capital in the context of accounting. Section three outlines the method used, provides background information on Waterside Christian Centre (WCC) and discusses how the budgeting process would be expected to proceed in a Christian organization. Section four presents an analysis of the budgeting process at WCC according to Adler and Kwon’s 2002 framework. This section concludes with a discussion of the differences between corporate and church budgeting. A conclusion to the paper and further research possibilities are presented in section five.

2.0 Social Capital

The ideas underlying social capital have had a long history in the social sciences (Paldam and Svendsen, 2000). Woolcock and Narayan (2000) document the use of the sense of the term social capital in the early 1900s when it was used to explain “…the importance of community participation in enhancing school performance” (Woolcock and Narayan, 2000, p228). The term social capital has been used in various capacities since the early 1900s (Nahapiet and Ghoshal, 1998). The sociologist James Coleman (1988) was the first to introduce the concept of social capital as a theoretical framework into the literature (Paldam and Svendsen, 2000). He proposed that social capital be regarded as a concept along side the existing concepts of financial, physical and human capital (Coleman, 1988). The concept of social capital has been applied to a variety of disciplines including “regional/rural development, political science, sociology, human resources, economics and marketing” (Theingi, Purchase and Phungphol, 2008, p523).
There is no one single definition of social capital. However, many authors make reference to Coleman (1988) and Putnam (1993, 1995) when defining social capital. Coleman (1988) proposed that social capital is less tangible than human capital, and that it “exists in the relations among persons” (Coleman, 1988, S100-S101).

According to Putnam (1995), “social capital refers to features of social organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit” (Putnam, 1995, p67). Putnam’s definition is uncomplicated, yet encompasses all the important elements of social capital. The concepts of trust and cooperation are central to the concept of social capital (Woolcock and Narayan, 2000). Lochner, Kawachi and Kennedy (1999) further define trust as being interpersonal trust. More is likely to be accomplished in a group that has extensive trustworthiness and extensive trust (Coleman, 1988). According to Putman “…life is easier in a community blessed with a substantial stock of social capital (Putnam, 1995, p67).

More recently, the trust aspect of social capital has been explored. Paldam and Svendsen (2000) further described trust as the “density of trust” that determines “how easily people work together” (Paldam and Svendsen, 2000, p339). Social capital has been described in contradictory terms in the literature, both as glue that binds and as a lubricant (Anderson and Jack, 2002). Paldam describes social capital as being the “‘glue’ generating excess co-operation” (Paldam, 2000, p629). Anderson and Jack (2002, p207) conclude that social capital is a process and that the glue and lubricant dimensions are “…merely expressions of social capital” that co-exist simultaneously. Theingi et al (2008) succinctly summarise the interaction between the glue and lubricant qualities of social capital, stating that social capital “…lubricates relationships between actors and glues networks together through trust” (Theingi et al, 2008, p523).

The benefits and risks of social capital have been documented by Adler and Kwon (2002). Three benefits are cited. The first benefit is “access to broader sources of information” (Adler and Kwon, 2002, p29) and an improvement in the quality, relevance and timeliness of the information. The second benefit cited is influence, control and power. Increased influence control and power occur out of obligations owed. Solidarity, the third benefit, arises as social norms and beliefs held by the group “…encourage compliance with local rules and customs and reduce the need for
formal controls” (Adler and Kwon, 2002, p29). The authors outline three risks of social capital. First, social capital networks may be costly to maintain. Second, in some cases, power benefits conferred as a result of social capital may inhibit information benefits. Third, a high degree of solidarity in a group may stifle new ideas, “…resulting in parochialism and inertia” (Adler and Kwon, 2002, p30).

Anderson and Jack (2002) studied the process of social capital formation amongst entrepreneurs in Scotland. The literature suggests that the formation of social capital is a human process, which is not straightforward or simple (Anderson and Jack, 2002).

According to Nahapiet and Ghoshal (1998), social capital is jointly owned, with no one actor having exclusive ownership rights. Social capital is not something that can be easily traded.

The Chinese concept of guanxi, “…described as a ‘personal network’ or ‘special connections’” (Theingi et al, 2008, p523) has similarities to the western concept of social capital. However, guanxi is a more deliberate strategy, having inner circles as well as a broader network of contacts. Another important difference is that guanxi relationships can be based upon “extremely indirect and obtuse bases, such as coming from the same regional district, or alumni from the same university, even though they may not have studied together” (Theingi et al, 2008, p524).

### 2.1 Social capital and religious organizations

Those of a similar religious faith have much in common. They “share a common worldview and religious outlook” (Brown and Brown, 2003, p618). Those of the Christian faith share the norms (Putnam, 1995) of Biblical beliefs, symbols and stories (Wood, 1997). The church provides a venue where formal and informal networking can occur (Brown and Brown, 2003). Those involved in church-based activities are working toward a common goal (Brown and Brown, 2003). Participation in church-related activities, such as Sunday school or missionary groups “…may boost social trust and mutual obligation” (Brown and Brown, 2003, p618). Due to the shared norms, networking opportunities and opportunities for social trust, the church is an ideal environment in which social capital can be nurtured, grow and prosper.
In the context of the Islamic and Buddhist faiths, Candland (2000, p370), states that “Faith can be a form of social capital. A community of believers need not have repeated face-to-face interactions to place trust in one another. A shared faith may allow believers to trust in each other.” These principles also hold true for those of the Christian faith. Brooks (2003) also suggests a link between social capital and religion. This link occurs as religious organizations are well known for their charitable work. Jesus spoke about the benefits of giving, for example Luke 6:38, and of the need to look after the less fortunate, for example Matthew 6:1-4 (Holy Bible, 1985). Due to the charitable nature of religious organizations, Brooks suggests “…religion may be a key ingredient in promoting social capital…” (Brooks, 2003, p44). In turn social capital gives rise to giving and volunteering. The studies discussed above suggest that a community with higher levels of religion will be a socially richer environment in which to live.

2.2 Social capital and accounting

The relationship between social capital and accounting has not been extensively explored. Jacobs and Kemp (2002) document the presence of accounting-based literature that indicates that there “…might be an important relationship between the presence/absence of accounting and the issue of trust” (Jacobs and Kemp, 2002, p152). A search of the literature uncovered two papers directly linking accounting and the concept of social capital.

Jacobs and Kemp (2002) explored the relationship between social capital and accounting in three case studies of individual small traders/storekeepers in Bangladesh. The results indicate that for each of the three small traders, social capital in the form of trust and personal networks, was of more importance than accounting when conducting business.

Awio, Lawrence and Northcott (2007) document a community-led approach to dealing with HIV/AIDS in Uganda. The community-led approach is driven by and productive of social capital, resulting in active cooperation amongst community members. The Ugandan “…delivery mechanism is a “bottom-up” accountability arrangement powered by social capital…” (Awio et al, 2007, p220). This “bottom-up” approach is in direct contrast to the “top-down” new public management (NPM) reforms. The accounting and budgeting procedures used in the Ugandan approach were basic and simple.
While both of these studies document a relationship between social capital and accounting, they do not directly relate to the focus of this study, which is the effect of social capital on the budgeting process in an independent church.

3.0 Method

A case study approach was used to investigate the budgeting process at WCC. The case study involved interviewing members of the leadership team, as well as undertaking a survey of the congregation. In addition, documentary information was obtained.

3.1 Interviews

Semi-structured interviews were used to interview Fergus¹ (financial overseer), Thomas (senior leader), Margaret (children’s ministry leader) and Ryan (youth ministry leader). Margaret and Ryan were selected as suitable candidates for interviews as they prepared the budgets for the two largest church departments, namely children’s ministries and youth ministries. Margaret and Ryan were able to describe the budget process from first principles to completion at departmental level. Fergus was chosen as an interviewee as he could provide useful background information on the budgetary process. The senior leader Thomas was included as an interviewee as he would be able to provide insight into the leadership philosophy under-girding the budgetary process, as well as practical aspects of the leadership team operation.

Interviews were conducted during February and March 2007. Generally, interviews lasted about one hour. Semi-structured interviews were used to provide structure to the interview, whilst allowing freedom to pursue interesting avenues of conversation when appropriate. The interviews focused on the budgetary process rather than the technical skill of the interviewee. Interviews were taped and the tapes transcribed by a professional secretarial service. The completed transcriptions were checked against the original tape to eliminate transcription errors.

¹ Pseudonyms have been used to protect the identity of individuals.
3.2 Survey

A survey was conducted to determine the degree to which the leadership team communicated information on budgetary matters to the congregation. The survey form complied with institutional ethical requirements. It was carried out over two consecutive Sundays in October 2007. A notice was placed in the church bulletin on each of the two Sundays. The church bulletin notice clearly stated the identity of the research and the purpose of the research. On the second Sunday morning, an announcement from the pulpit was made during the usual church notice time alerting congregation members to the survey. Congregational participation in the survey was voluntary. Thirty-nine completed survey forms were returned. Due to the voluntary nature of the survey and the small number of returned survey forms, it is uncertain whether the results reflect the view of the entire congregation. It is possible that the results give weight to a disgruntled minority, or perhaps those who are interested in financial matters.

Survey forms were available from a table at the rear of the auditorium. Survey participants were asked to place completed forms in a cardboard box located beside the survey forms. The cardboard box was left out on the Sunday after the end of the survey to cater for those participants who may have forgotten to return survey forms the previous week.

3.3 Documentary evidence

The budgeting process at WCC is entirely informal. There is no formal document outlining how the budgetary process is to proceed. Four years of annual financial statements were provided.

3.4 Church Background

Waterside Christian Centre is an independent church located in the North Island of New Zealand. It has been independent since 2001, when it voluntarily withdrew from the denomination it had previously belonged to due to a difference of opinion over a denominational decision.

As WCC is an independent church, it has no denominational oversight. To address this issue, the senior leaders, Thomas and Ruby, approached two couples with
considerable leadership experience, who live outside of the area in which WCC is located, and asked them to be ‘overseers’ for WCC. Congregation members who have concerns about leadership issues at WCC can approach the overseers about their concerns.

Until recent times, WCC has had a period of financial problems. The financial problems arose in 1985, as the church took on debt to fund building alterations. At the time the debt was taken on, there were around 1300 people in the church, so servicing the debt repayments was manageable. Due to an incident of moral failure in the leadership and a church split, church numbers dropped to around 300 in 1993, making debt repayments an issue. It was during this period that staff numbers were reduced. At one point, “…they were pretty much having to sell the building in a fair few week’s time, or else they’d have been having the mortgage foreclose” (Personal communication, Fergus, 2 February 2007). As a result of this background, the leadership team is very aware of the need to follow a budget and to ensure that a budgetary control system is in place and adhered to. Since the low point of 300 attending a Sunday morning service in 1993, numbers have slowly increased. Currently between 900 and 1,000 attend a Sunday morning service. The increased attendance, coupled with leadership’s desire to reduce debt led to the church making voluntary debt repayments. Waterside Christian Centre paid off the mortgage on their building in November 2006.

“…we were making voluntary repayments, probably five or six times the amount that we had to, which is why we ended up paying it off quite quickly. I am a firm believer in getting rid of debt as soon as you can” (Personal communication, Fergus, 2 February 2007).

To celebrate the repayment of the mortgage, a copy of the mortgage document was burnt in a Sunday morning service.

3.5 The Leadership Team

A leadership team of eleven people, who are all staff members and attend WCC, run WCC. The congregation does not elect the leadership team and congregation members have no input into leadership team membership. The leadership team meet formally once a week to discuss managerial and operational issues, as well as leadership issues.
The leadership team consists of the senior leaders, (Thomas and his wife Ruby); the children’s ministries leader, Margaret; the men’s ministries leader, Peter; the women’s ministries leader, Rose; the youth ministries leaders, Ryan and Christie; Fergus the financial overseer; Eva, a counsellor; Sadie, a social worker; and Nathan, the office manager.

There are several family relationships present among the leadership team members. Peter and Margaret are husband and wife. Ryan is the son-in-law of Thomas and Ruby. Ryan and Fergus are brothers-in-law.

3.6 Staffing

Waterside Christian Centre has fourteen paid staff, as well as around 200 volunteers who give their time to the church on an as-needed basis. Some of the volunteers help out during the Sunday services as Sunday school workers, crèche workers, prayer team members or host team members. Other volunteers help out during the week by copying CD’s of the Sunday message or counting the tithes. Eleven of the paid staff are on the Leadership team. The remaining three not on the Leadership team are Claire, the receptionist, Oliver, the maintenance man and Jacob, the cleaner.

3.7 The Relationship of the Researcher to WCC

The researcher has been attending WCC for nineteen years. Due to the number of years of attendance, the researcher has developed an understanding of both the history of the church and its modus operandi. As the interviewees knew the researcher, it is likely that interviewees were more receptive and open to the researcher. It is also likely that more detailed information was imparted as the researcher had an understanding of the people involved and the history and internal workings of WCC.

3.8 Spiritual Values and Priorities

Waterside Christian Centre describes itself as a ‘values-driven’ church that values people, authenticity, integrity and vulnerability. The church’s statement of values
states that WCC is not prepared to go in a direction that will cause the church to violate its values system. The church has a statement of priorities outlining the desire of the church to develop people who are growing in their Christian faith. When making budgetary decisions, the department leaders and the leadership team are mindful of the church’s values and priorities of the church and are careful to make decisions that are consistent with these values and priorities.

3.9 Expectations of the budgeting process in a Christian organization


“The doctrine of stewardship is normally based on two principles found in the book of Genesis – first that the world is created and owned by God and second that humanity, while given power to “rule or have dominion” (Genesis 1:26) this also involved a responsibility to care for the world and the resources of the world as stewards and ultimately to account for their use (i.e. the resources were owned by God and not humanity). These ideas were reinforced in the parable of the talents found in Matthew 25:14. The servants were given resources to care for in the owner’s absence and were called to account for their use of the resources and for any returns they have been able to generate” (Jacobs, 2005, p.205).

It would also be expected that budgeting would be carried out with integrity, in the absence of any secret agendas or political strategies (Pondy, 1993). Integrity is defined in the Collins Dictionary as meaning “adherence to moral principles; honesty” (Collins Concise Dictionary, 1999, p.747). It implies that decisions be made in an open, transparent and honest manner.

Jesus taught His followers about the importance of prayer, for example, Matthew 6:5–15, Luke 18:1-8, (Holy Bible, 1985). In a Christian organization, it would be expected that managerial meetings would include a time of prayer, including praying about specific situations that require a solution.
Stewardship and the Budgeting Process at WCC

The leadership team at WCC take the principle of stewardship very seriously. They believe they are responsible to spend money given to the church by the congregation members wisely.

“People give money to the Church in faith that it’s going to be spent wisely on the Lord’s work and so with that comes a yeah, a real responsibility to think carefully how we do spend our money, to make sure we’re not wasting it, and that it’s going towards you know, the best use of money” (Personal communication, Margaret, 22 March 2007).

Fergus, the financial overseer is also aware of the need for the leadership team at WCC to spend donated money wisely, as the leadership team is answerable to both the congregation and to God about the allocation of funds.

“I’ve always felt if we’re spending the money wastefully then you know...we’re not answerable to each other, but we’re answerable to the congregation and to God, so...we need to make decisions based on what’s going to help the church run, not what we’d like...” (Personal communication, Fergus, 2 February 2007).

However, Fergus finds that in practice, conflicts arise when decisions have to be made about how to best allocate the church’s limited resources.

“So how do you weigh up one hand what God says, you know, give to the poor, help your brother, and then on the other hand say well we’ve got only $20,000 to spend, which one of these are we going to say no to?” (Personal communication, Fergus, 2 February 2007).

The first question in the survey of the congregation asked about the importance of budgeting in achieving the aims of the church. Comments made in response to this question in survey (refer to Appendix One) indicated that congregation members expected church management to be good stewards of the resources entrusted to them. Seven respondents made comments about their expectations of stewardship and church financial management. "If we are teaching good stewardship, then it
needs to be modelled”. “It is good stewardship to budget”. “[Budgeting] is important in the sense that we are to be responsible and good stewards of the money we are given”. “As individuals and families, we need to budget – so does the church to efficiently handle the money they are stewards of.” “Very important. Diligent responsible, responsive stewardship of God’s gifts”. “…Quite important as being good stewards”.

4.0 Analysis of social capital in the budgeting process at Waterside Christian Centre

The budgeting process at WCC has been analyzed according to Adler and Kwon’s framework of the benefits and risks of social capital (Adler and Kwon, 2002). The authors present three aspects of social capital and use these aspects as a framework to discuss the benefits and risks of social capital. The tripartite framework consists of information; increased influence, control and power; and solidarity. Each aspect of social capital will be applied to the budgeting process at WCC and the benefits and risks of each aspect will be discussed.

4.1 Information

Inter-personal trust is a strong feature of the budgetary process at WCC. The shared Christian faith of the leadership team members may enhance that trust (Candland, 2000). Inter-personal trust between team members acts as a lubricant. Individual team members trust that fellow members will provide relevant and timely information and act honestly and with integrity. Fergus summarised the situation as follows: “Which I guess is the best thing about working in a church, you have to assume everyone is operating honestly and above board. Which I think they do” (Personal communication, Fergus, 2 February 2007). The deep density of trust (Paldam and Svendsen, 2000) between both actors in the budgeting process and leadership team members enhances open and free sharing of information and the quality, relevance and timeliness of that information (Adler and Kwon, 2002). The trust existing between team members both lubricates relationships and glues the leadership team together (Theingi et al, 2008).

The open and transparent nature of the information flow is evidenced in the budgetary process both at departmental and leadership team level. At departmental level, Margaret is open and transparent with Fergus when discussing the children’s
ministry budget. Fergus trusts that Margaret has told him the truth about any items of major expenditure prior to the departmental budget being submitted to him.

“[Margaret] told me they need another laptop for Sunday mornings. They wouldn’t normally budget in another laptop cause it’s kind of out of the ordinary expenditure, so I’d expect her to come to me and say hey, we’re going to need another laptop…” (Personal communication, Fergus, 2 February 2007).

The interpersonal trust present in the budgeting process precludes any secret agendas that may embarrass Fergus at a later stage of the budgeting process.

Both Margaret and Ryan consult with co-workers within their respective departments when formulating the budget. This requires trust that the co-workers will supply information that is relevant, timely, accurate and honest. Margaret is very aware of the trust the leadership team have in her judgement in budgetary matters. “I feel that they trust my judgement and with that brings the challenge to prove to them to be trustworthy” (Personal communication, Margaret, 22 March 2007).

When Fergus is putting together the church budget, he trusts that information provided by the departments is accurate and that answers given to queries are honest. “…which is why when we have our initial budget meetings, I’m very strong on you know, now you guys have really got to think forward, if there’s anything at all you can foresee happening, I need to know so we can programme it in” (Personal communication, Fergus, 2 February 2007). The church budget is discussed at leadership team level. Thomas seeks to keep discussions open and transparent at this meeting, aiding the flow of information. Fergus commented about the flow of budgetary information at leadership team level. “I think within the [leadership] team it’s very open because we discuss it all” (Personal communication, Fergus, 2 February 2007).

Thomas has sought to build a relationship based on trust and integrity with the congregation on financial matters. He rarely talks to the church about giving and tithing. He wants to build a church that gives and tithes from the right motives. He does not want to put the congregation members in the position where they tithe out of guilt due to frequent sermons on giving and tithing. Nor does he want to speak on
tithing in an effort to increase giving due to the church being in financial strife. He tries to keep special offerings to a minimum.

“I’m not comfortable with constantly going back to the congregation saying we need offerings for this, we need offerings for that...because they’re already giving, they give in tithes and offerings and I don’t want to abuse that...and so, I think we’ve done it, maybe three times in twelve years. And one of those we gave away, so I don’t feel I can keep going back and abusing people’s trust you know, if I go back I want to be serious” (Personal communication, Thomas, 20 March 2007).

In the offering given away, around $30,000 was donated to an overseas mission’s organization.

WCC has an open door, open-book policy under which members of the congregation are free to ask staff questions on financial matters. Congregation members are also able to inspect the financial records at any time.

“Well I think anyone can come and look at the books, and there’s no hiding behind closed doors, and I think many times it’s been said from the pulpit you know, certainly at meetings, after we ran our AGM’s and things, that there’s always an open door and people are free to come in and have a look” (Personal communication, Margaret, 22 March 2007).

Thomas is aware that WCC needs to improve in communicating financial information back to the congregation. Fergus summed up the situation as follows:

“I think within the congregation it’s not particularly open at all, because obviously, being a congregation member, you know, we don’t come to the congregation and say this is how we’re setting our budget, it’s more a report orientated scenario where we’ve set the budget and this is how the year has gone, and this is what we’ve done with it” (Personal communication, Fergus, 2 February 2007).

Despite the concerns of leadership about the lack of communication of financial information between leadership and the congregation, seventy percent of the usable
responses from the congregation to the second question in the survey were positive. The second question asked respondents about the extent to which they believed the budgeting process was an open and transparent process. “Very open, if members ask or are concerned.” “Fairly open and transparent. I am not concerned with it though.” “Very open and transparent.” “Have always found staff are more than happy to talk about it when I have asked.” “Any queries are readily answered.” “It was available, it you asked to see it.” “I don’t know much about it but I know that the information on it is available if I asked for it.”

Comments made by the thirty percent who did not believe the budgeting process was open and transparent supported the need for improved communication between leadership and the congregation. “It is mostly obscure, not because anyone is trying to hide anything, but because there does not appear to be any process in place to communicate it.” “I feel that there are certain aspects of the budgeting that aren’t being broadcast to the congregation. We don’t need every detail, but it would be nice to get an in-depth progress report.” “Not much at all. Once a year [Thomas] seems to mention things.”

The third question asked if respondents were comfortable with the amount of budgetary information communicated back to them from the leadership team. Sixty-five percent of the usable responses were positive. “Mostly, as I put my trust in those who have been given the authority to do their job”. “Yes, as I have faith in the team’s decision-making which it does after prayer and consideration”. “I am happy. The leadership team has done a fantastic job reducing debt. I trust their decisions”. One respondent questioned whether the lack of openness “…could make us more vulnerable if there was any mis-management or perceived mis-management of funds”.

Despite the positive comments obtained in the survey, Fergus acknowledges that it is difficult to communicate financial information between the leadership team and the congregation well. He finds it is a challenge as how best to report back to the congregation “…without boring everybody to tears, but still being open and transparent about it” (Personal communication, Fergus, 2 February 2007). In an effort to be more transparent, the leadership team decided to print the dollar amount of the weekly offering for the previous week in the church bulletin. “We stopped doing that because we had a couple of the Police say to us that it really wasn’t a good idea, because we were advertising how much could be stolen on a Sunday
morning, if somebody wanted to” (Personal communication, Fergus, 2 February 2007). Waterside Christian Centre then decided not to state the dollar amount of offerings, but to publish whether the offering was above or below budget. However, this was also stopped, “because whilst it was nice to know whether we were above or below budget for the week, it really meant nothing” (Personal communication, Fergus, 2 February 2007). Later on, a few financial facts were published in the weekly church bulletin. Recently, WCC established an input team. This team is made up of invited congregation members, who are asked to assess how WCC is run and if there are any improvements that could be made. The input team was established in an effort to get congregational feedback on church-related matters.

Congregation members also had suggestions as to how communication on budgetary matters could be enhanced. Some participants made suggestions that already existed, for example information available on request, or that staff could be approached about financial information. Other respondents asked for information on a more regular basis, for example, quarterly or semi-annually. Another suggestion was that financial information be made available on the church’s website. One respondent believed an annual congregational meeting where members could debate issues would lead to more open communication. (At present, the leadership team makes all budgetary decisions). Another respondent commented that s/he wanted to “…see I am part of a faith community that walks out its talk in its financial priorities”.

There were none of the risks associated with the information aspect of social capital evidenced between participants in the budgeting process as a result of the budget being discussed at leadership team level. The trust among team members appeared to be a natural feature of the way individual team members interacted with each other. The extent to which family relationships within the leadership team aided or hindered the flow of information was unclear.

There may be a cost to the leadership team if the budgetary process is made more transparent and budgetary information is made more available to congregation members. The cost may arise as congregation members may seek input into either the budgetary process or the allocation process. Suggestions made may not be easy, comfortable or desirable to implement. One congregation member commented that “To provide more information appears to be uncomfortable to leadership, hence
a change is unlikely. This is an aspect of church life at Gateway that members realise”.

The leadership team are acutely aware that there are some transparency issues between leadership and the congregation and are actively seeking to make budgetary information more available. In early December 2007, a booklet containing budgetary information was printed and made available to interested congregation members. The booklet was not released in response to the survey of the congregation in October 2007. Fergus had intended to make the booklet available prior to the survey. He intends to release a similar booklet in December 2008.

4.2 Influence, control and power

Adler and Kwon (2002) suggest that power and control can be used by focal actors to influence others to achieve their goals. There was no evidence of influence, control and power being used in a manipulative manner at WCC. On the contrary, the work environment was found to be supportive, nurturing and empowering. Three examples of such a work environment were evidenced.

In the first example, the leadership team shared Margaret’s enthusiasm for ministry to children and supported her work, empowering her to do her job. Their level of support was reflected in the generous funding given to children’s ministries. “And we’re really fortunate that WCC sees children as one of their values and one of their priorities, and so the money we receive is fantastic…” WCC “has put a value on ministry to children...” and “see the importance of having age appropriate teaching for children...” (Personal communication, Margaret, 22 March 2007).

The second example relates to Thomas and Ruby as senior leaders. Thomas typically functions as one of the leadership team. He does not abuse his position as senior leader, preferring to settle for team consensus. The only time Thomas and Ruby have made a decision without leadership input was during adverse financial circumstances when staff were laid off. This situation occurred in 1993, at a time when staff numbers were reduced as the church was struggling financially. As the decision affected people’s jobs, Thomas and Ruby felt it was more appropriate that they make the decision rather than submit the decision to the leadership team.
“Yeah, we had to make some terrible choices in terms of cutting wages and who was going to go off staff and who was….yeah, and I just felt like that was just too hard for them to do it, they were invested emotionally too much you know, and you know, you imagine sitting around the leadership team saying I think we should cut them – we were in enough pain without that kind of call, so I just said look [Ruby] and I will make that call and I really hope we get it right, but I don’t want you to have to do this” (Personal communication, Thomas, 20 March 2007).

The third example occurred when Ryan became the youth pastor four years ago. At that time, he discovered that the previous youth pastor had received youth department funding from external sources, for example Internal Affairs and Lotteries Board. Ryan made the decision to stop applying for external funding.

“…I didn’t think everything they did on the previous funding documents was 100% accurate of what we were and did, so I suppose it was a conscience thing…I didn’t want to write something that wasn’t accurately representing who we are” (Personal communication, Ryan, 16 March 2007).

Ryan felt confident and empowered to make a moral decision that would result in a reduction in external funding and a greater reliance on church funding.

It is unlikely that members of the present leadership would engage in power games by seeking to influence, control, manipulate and dominate situations. To do so would violate the church values system. There was no evidence of controlling, dominating behaviour found during the study. Neither was there any evidence in the budgeting process of individuals having secret agendas. It is possible that Thomas may seek to misuse his authority as senior leader, but to do so would require him to violate his own values system.

### 4.3 Solidarity

The leadership team at WCC have “strong social norms and beliefs” (Adler and Kwon, 2002, p29). They share the norm of belief in the Bible (Wood, 1997). The team all work together towards the common goal of running WCC (Brown and Brown, 2003). This shared responsibility has contributed to the deep density of inter-
personal trust between team members, enabling them to work well together (Paldam and Svendsen, 2000). The high level of social capital present has “encourage[d] compliance with local rules and customs and reduce[d] the need for formal controls” (Adler and Kwon, 2002, p29).

Waterside Christian Centre has a set of local rules and customs in the form of their core values, which were introduced to the church by Thomas in 2001.

“I’ve worked really hard on creating a values system, trying to get our staff to buy into it, trying to get people to come at WCC and see it and they think gee, that’s how we want to do the journey…” (Personal communication, Thomas, 20 March 2007).

The formation of social capital in an organization is a human process, (Anderson and Jack, 2002) which requires time to grow and solidify. The voluntary adoption of the core values by staff has helped to solidify inter-personal trust and has reduced the need for formal controls. The out-working of trust has both lubricated team relationships and glued the leadership team together (Theingi et al, 2008).

The core values of WCC are valuing people, authenticity, integrity and vulnerability (www.wcc.org.nz)². Inter-personal trust is vital in order for each of the core values to develop, grow and be nurtured. To be authentic is to be genuine, a quality that requires trusting the individual will be accepted in the absence of a social façade. Integrity involves honesty and working within a moral code. Integrity requires trusting that others will accept and value decisions made according to the moral code. To be vulnerable is to be “capable of being physically or emotionally wounded or hurt” (Collins Concise Dictionary, 1999, p1669). Trust is required for people to open up when there is the likelihood of being emotionally wounded. The greater the sense of trust among people, the greater likelihood of informal caring and sharing occurring.

It is the desire of the senior leaders at WCC that the budgeting process reflects the core values and the trust inherent in those values. “…and the budget has, I hope, been a reflection of that [values system]” (Personal communication, Thomas,

² The reference to the church website has been anonymised to protect the identity of the church.
Thomas places a huge emphasis on the values system of the church when making decisions on budgetary issues. He approaches new areas of ministry through a grid of

“...is that what we want to do, is it going to take us where we want to go, is it in keeping with our values? If all those answers were yes, then we’d start to say ok, how do we finance it? (Personal communication, Thomas, 20 March 2007).

He likes to “…think the spiritual goals [and values] drive the budget” (Personal communication, Thomas, 20 March 2007). As an example, the church building requires a lot of maintenance. Thomas finds there is a tension between spending money on upgrading the building so that it is a top class facility, and doing ministry-related tasks, such a feeding the poor and extending the Kingdom of God in missions. He finds there is a fine line between looking after the congregation and spending money unnecessarily on items that don’t further the Kingdom of God. He hopes that the budget and hence the ministry carried out through WCC is an extension of the values and spiritual goals of the church.

Both Margaret and Ryan were eager that their departmental budgeting process would be conducted according to the core values and culture of the church.

“...I would say that our, the vision and the purposes in the children’s church, they broadly mirror our Church’s core purposes, and so I would hope that our spending reflects our values and purposes, and that they are certainly something that I hold up and use as a filter through which decision making, or through which I can make decisions...” (Personal communication, Margaret, 22 March 2007).

Solidarity present among team members is evidenced in the way decisions are made on budgetary matters. Thomas doesn’t want the team to vote on budgetary issues. Rather, he prefers that the leadership team make budgeting decisions according to a significant sense of unanimity and consensus. If some of the leadership team are unhappy with an outcome, time is taken to think and pray about the situation. During a typical three-hour weekly leadership team meeting, half an hour would be devoted to prayer. The leadership team would then come back to it the following week. If a consensus wasn't reached, generally, the item would be thought and prayed over
until a sense of unanimity was reached at the weekly leadership team meeting. Any difficult items would be discussed by Thomas, Fergus and Peter (a pastor on staff who is also an accountant). However if there was still a significant problem, the item would be taken back to the leadership team for further discussion. Only once during extenuating circumstances have Thomas and Ruby made budgetary decisions as senior leaders without the input of the leadership team. As mentioned previously, this situation occurred in 1993, when the church was struggling financially. The decision was made to reduce staff numbers in an effort to balance the budget.

The risks of solidarity are a tendency towards narrowness in outlook and inertia. There was no evidence of the risks of solidarity present. Rather than being inward-focused, the leadership team were open to new initiatives. For example, Margaret was keen to run a parenting programme, which required an increase in children’s ministry funding. The leadership team were comfortable with the increased funding required. On another occasion, Margaret was keen to run a course for parents called drug-proofing your kids. Margaret talked with the leaders that were to run that course, and they put together a budget of expected costs. These costs were included in the children’s ministry for that year, and again the leadership team were comfortable with the increased funding required for the new initiative.

The leadership team doesn’t allow inertia to prevent them from releasing Thomas to take up opportunities to speak to overseas missionary groups. Waterside Christian Centre puts a high priority on supporting missionary groups. Ten percent of offerings are “shielded” (Lightbody, 2000) for donations to support missionaries and missions organizations. In the 2006 financial year, Thomas received four invitations and responded to two of them. Usually the missionary organizations cannot afford to pay for plane tickets but can provide accommodation. Fergus finds it difficult to allow for these speaking opportunities in the budget. The contingency allowance that he programmes into the budget results in Thomas being able to take up some of the opportunities.

4.4 Corporate budgeting and church budgeting

Capital budgeting in a corporation

In the corporate world, budgeting can become a political process that is “open to all kinds of political manipulation” (Wilson and Chua, 1993, p274). The political nature of the budgetary process is summarised by Wildavsky.
“If organizations are viewed as political coalitions, budgets are mechanisms through which subunits bargain over conflicting goals, make side-payments, and try to motivate one another to accomplish their objectives” (Wildavsky, 1968, p193, in Wilson and Chua, 1993, p274).

Pondy (1993) indicates that intergroup conflict in the capital budgeting process in a large corporation can be caused by subgroup loyalties and intergroup competition. As a result, budgeting can become a conflict resolution process rather than a resource allocation process.

Subgroup loyalty occurs when a member of a department maintains loyalty to the departmental goals rather than to the goals of the corporation. Subgroup loyalties result in hidden agendas and the adoption of political strategies. For example, the marketing department will be enthusiastic about projects which improve customer service, but may lack motivation about projects improving production.

Intergroup competition occurs when groups or divisions within a corporate have differing agendas. For example, the budget committee may have decided upon a minimum acceptable rate of return for a project. A division may have a marginal project they particularly want to proceed. The returns from the marginal project may well be “doctored” so that it meets the target rate of return.

**Budgeting at WCC**

There was no evidence of sub-group loyalties in the budgeting process at WCC. Rather, the density of trust between team members was at times sacrificial to the extent that the needs of WCC were put ahead of the needs of the individual department. Margaret explained the culture of trust in the context of budgeting as follows: “…so if there’s a greater need somewhere else, you’ll be willing to sacrifice if it came to that, so that the best thing for WCC as a whole can be accomplished” (Personal communication, Margaret, 22 March 2007). Any funds unspent at the end of the financial year are absorbed back into general funds. Margaret takes care that children’s ministry funds are not spent unnecessarily towards the end of the year in an effort to prevent reabsorption. In these situations, trust, or social capital, acts as a substance that binds or glues the leadership team together with a common purpose, the best interests of WCC.
A second example of the lack of sub-group loyalties occurred when additional money was allocated to the children’s ministry budget to cover an unexpected opportunity. The children’s ministry had been allocated funds to send five children’s church workers to a children’s church conference. Ten workers indicated they would like to attend the conference, so Fergus decided to allocate extra funds to the children’s church budget to permit the extra five staff to attend the conference. Fergus has a policy of underestimating income and overestimating expenses, to allow a bit of “fat” in the system so should an unbudgeted opportunity arise during the year, there is the possibility the opportunity can be acted upon. He also has a contingency fund set aside for unexpected events.

There was no evidence of any hidden agendas or political strategies in any of the interviews conducted.

The members of the leadership team represent various ministry groups within WCC. However, there was no evidence of inter-group competition among leadership team members. On the contrary, Thomas sought unity in decision-making to the extent that he was not prepared to let the leadership team formally vote on issues.

“I don’t want to go into a situation Denise where there’s been a narrow vote, because if things turns to custard down the line, you know we probably had a sense of this wasn’t right back here, why didn’t we take notice of it.” (Personal communication, Thomas, 20 March 2007).

However, in practical terms, the leadership team has usually come to significant sense of unanimity about a decision.

“If there was somebody who said look I’m just not happy about it, more than likely what we would do is rather than have a vote, we would say look we want to take some more time to think and pray about this, we’ll come back to it next week, or we’ll come back to it in a couple of days. We want a sense of unanimity” (Personal communication, Thomas, 20 March 2007).

Rather that resort to the use of conflict resolution techniques, Thomas chose to use the passage of time and prayer to resolve situations in which there was a lack of unanimity between team members.
5.0 Conclusion

This study has highlighted the high degree of social capital operating in the budgeting process of an independent church. The empirical results have been analyzed according to Adler and Kwon’s 2002 framework of the benefits and risks of social capital.

The concept of the sacred/secular divide has dominated much of the literature on church budgeting. Studies linking the concept of social capital and budgeting in any Christian denomination represents a lacunae in the literature. Studies on budgeting in a Christian religious organization have focused on denominational churches. Previous investigations have focused on churches in North America (Cunningham and Reemsnyder, 1983), Scotland (Jacobs 2005) and Australia (Kluvers, 2001; Parker 2002; Lightbody, 2003; Irvine, 2005). Studies documenting the budgeting process in a New Zealand-based church of any denomination are absent from the literature. The contribution of this paper to the literature is that it investigates budgeting in an independent church in New Zealand from a social capital perspective.

Further research is required to determine the extent to which social capital is a feature of the budgeting process in both independent and denominational churches both in New Zealand and overseas. The effect of differences in church governance would have on social capital and the budgeting process is unclear. This is an area deserving further research.
References


Wilson RMS and Chua WF 1993 *Managerial Accounting, Method and Meaning*, 2nd ed, London: Chapman and Hall,

Appendix One

Congregation Survey Form

Number of years you have attended this Church:______________________________

Do you pay tithes to this Church on a regular basis?___________________________

1. How important do you see budgeting as being in achieving the aims of this Church?________________________________________________________
                                                                                           __________________________________________________________
                                                                                           __________________________________________________________
                                                                                           __________________________________________________________
                                                                                           __________________________________________________________

2. To what extent do you believe the budgeting process is an open and transparent process in this Church?___________________________________
                                                                                           __________________________________________________________
                                                                                           __________________________________________________________
                                                                                           __________________________________________________________
                                                                                           __________________________________________________________

3. As a member of the congregation, are you comfortable with the amount of budgetary information that is communicated back to you from the Leadership Team of the Church?________________________________
                                                                                           __________________________________________________________
                                                                                           __________________________________________________________
                                                                                           __________________________________________________________
                                                                                           __________________________________________________________

4. If you are not comfortable with the amount of budgetary information communicated back to you from the Leadership Team, what could be done to improve communication?__________________________________________
                                                                                           __________________________________________________________
                                                                                           __________________________________________________________
                                                                                           __________________________________________________________
                                                                                           __________________________________________________________

Your consent to participate in this survey is indicated by returning the questionnaire.