Offering more than advice: consultancies in a religious/charitable organization

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Offering more than advice: consultancies in a nonprofit organization

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by

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Abstract.

This paper explains the proliferation of consulting activities in nonprofit organizations, and illustrates it by a study of the external consultancies commissioned by one religious/charitable organization (RCO) within a twelve-month period. The qualitative study, conducted over one year, identifies the employment of external consultants as one manifestation of normative institutional pressures on nonprofit organizations to adopt corporate-style accounting and management practices. Within the nonprofit sector, there is scope for further research on the challenges involved for organizations in that sector as they attempt to analyse the pressures of the institutional environment in which they operate and assess the applicability of corporate practices recommended by consultants. While some research has been undertaken on consultancies in both the public and nonprofit sectors, there has been less attention paid to its role in the infiltration of corporate practices from the private sector, through the public sector, and into the nonprofit sector. By focusing on the institutional environment in which nonprofit organizations operate, and on one organization, insights have been provided about this process.

Keywords: institutional theory; normative pressure; corporate practices; religious/charitable organization; nonprofit organization; external consultants.

1. Introduction

Management consulting has been described as a "type of performance". Consultants employ a range of rhetorical techniques, in order to project an image to clients and to convince them that they possess unique knowledge and are able to define and solve client problems (Fincham, 1999, pp. 337 – 9). While consultants may be criticized for their role in "the dissemination of ideas, concepts and techniques that are later labeled as mere management fashions or fads" (Williams, 2004, 769), this criticism has not prevented the proliferation of consultancy services being offered and taken up, not only in the corporate world, but in the public sector, and increasingly in the nonprofit sector. Can this phenomenal growth in the consulting industry be explained simply by consultants' success in projecting themselves as legitimate providers of much-needed business expertise, or are there broader institutional factors at work? This paper considers this issue within the context of nonprofit organizations, by providing an explanation for the growth in consulting services in that sector, and further, by examining in detail one Christian religious/charitable organization, RCO[1], and some of the consultancies it commissioned.

Nonprofit organizations represent a "vast[2] array of economic, educational, research, welfare, social and spiritual activities" (Parker, 1998, p. 50), and operate in an environment that has undergone significant changes in recent years, particularly in relation to funding and demands for accountability (Chapman, 1998, p. 211; Irvine, 2000). Challenges to operate in a more business-like and professional manner[3] (Hall,

[1] RCO is a pseudonym.
[2] The Johns Hopkins University (2004, pp. 2 - 3) study on nonprofits in 26 countries has identified nonprofits as a "major economic force in the world", with $1.2 trillion in expenditures and 31 million full-time equivalent workers. In Australia, nonprofit staff (both paid and voluntary) constitute over 10% of the total employment (Johns Hopkins University, 2004, p. 5).
[3] It has been suggested that the increasing emphasis on nonprofit organizations to conform more to corporate practices implies that they are "fundamentally flawed institutions, inferior in most important

1990; Myers and Sacks, 2003, p. 293; Dart, 2004), and to make money go further, coupled with ongoing debates about the role of nonprofits in society, have produced a sector where organizations were once cooperative, but are now as "intensely competitive as commercial organizations" (Parker, 1998, p. 50). Increasingly this competitive environment has led nonprofit senior executives to bring in "organization development (OD) consultants" to assist with "transformational change" (Chapman, 1998, p. 211). Accounting firms have aggressively marketed themselves as professional providers of these consulting services over the last few decades, to the extent now that many of these services are "far removed from the traditional links with accounting and audit" (Brierley and Gwilliam, 2001, p. 514). Not only has advice been provided about the design of accounting information systems, but of the broader organizational structures in which these systems operate.

Given the extent and nature of this change, there needs to be an assessment of whether the wholesale adoption of corporate techniques in such a sector is possible, or conducive to the unique nature and role of nonprofit, and particularly religious, organizations, where the outworking of profit-focused techniques may clash with the beliefs of organizational members. The role of consultants in this process also needs to be considered, in order to assess the part they have played in the transformation of the sector.

The paper is structured in the following way. RCO is introduced next, with a focus on the way the study was conducted, and on the organization's structure and culture. The creep of corporatisation is then outlined, from the for-profit sector, through the public sector, and to the nonprofit sector. Next, consulting is highlighted as one dimension

respects to market-driven, for-profit firms" (Myers and Sacks, 2003, citing Smith, 2000, p. 183). Arnaboldi and Lapsley (2004, p. 2), in their study of a health care organization, observed that "public sector organizations seek to present themselves as if they operated in a similar fashion to major private sector corporations, which are regarded as 'complete'".

of this corporatisation. RCO's use of consulting is then described and critiqued, with conclusions being drawn about the applicability of the use of external consultants to a religious/charitable organization, and the integrity of an institutional approach being assessed.

2. An introduction to RCO

The year-long study at RCO's Division East was conducted over 1996 and 1997. The original purpose of the project was to analyze the budgeting system, and provide recommendations about how it could be designed and managed more effectively. In the course of the study, the author conducted over 100 interviews of personnel in a variety of roles and at various hierarchical levels, attended meetings, and studied documents and reports. It became apparent over the year that the force of societal expectations was considerable, as the organization struggled to respond to increasing pressures to operate in a business-like manner, to demonstrate acceptable levels of accountability, and to compete for funding with other nonprofit organizations. The following is a brief introduction to the organization.

RCO is part of an international organization, and is accountable to its International Office. Division East is one of two divisions in Australia, and the hierarchical relationship between that division and the International Office is shown in Figure 1 below.

Take in Figure 1

RCO has operated in Australia for over 100 years, and enjoys an excellent reputation, primarily as a provider of social services, including drug and alcohol rehabilitation, homeless shelters, youth refuges, counseling and childcare. It is also a church, although it is less well known for its religious affiliation. Traditionally, while most of the top administrative positions in the organizational hierarchy have been filled by ordained members, increasingly professionals are being employed for these roles as the complexity of the environment in which RCO operates increases. RCO's high profile enables it to be a very effective fundraiser, relying on the government, corporations, and the general public, for the funds necessary to continue its operations. It also operates a recycling business and a series of thrift shops, the proceeds of which are used to fund its drug and alcohol rehabilitation work.

In Australia, RCO is made up of two divisions, Division East and Division South. Division East was the subject of this study. Under the direction of the then Divisional CEO, in 1990, Division East was significantly restructured, following models used by RCO in the USA and Canada, so that by 1996, after some refinements to the original restructure, it consisted of eight sections, seven geographical, and one functional (Drug and Alcohol Section). An Internal Advisory Board was made up of the Divisional CEO, the Assistant CEO, and the Heads of the various sections, and an External Advisory Board continued to advise the Divisional CEO and the new Internal Advisory Board. By the choice of a primarily geographical structure, there was an attempt to integrate the church and social work of RCO, with Section Heads now responsible for a variety of functions, including churches and social centres, as illustrated in Figure 1. Before this, they had been classified as either church work or social work, creating what some described as an artificial division between the church and caring activities of the organization. The one functional section was recognized as being a highly specialist area, and included the "business" arm of RCO, Recycling Industries and a number of thrift shops. Three features of RCO's organizational structure and culture are particularly relevant to this study, the presence of ordained members and employees, the existence of the External Advisory Board, and the structure and culture of the Department of Finance.

Ordained members and employees

The people working within RCO comprised mostly ordained members and employees, some of whom were lay members of one of RCO's local churches, but many of whom had only tangential or no religious affiliations. There was therefore a wide variation in the length of tenure, expertise and religious commitment of personnel, all of which had a huge impact on the design and implementation of accounting policy and practice, on the use of accounting information for management decision making, and ultimately on the employment of external consultants. On 31 July 1995, there were 604 employed ordained members and 1,947 employees within RCO's Division East. The trend of balance between ordained members and employees over the previous 35 years can be demonstrated below, in Figure 2. While the number of ordained members remained relatively constant, the number of employees increased dramatically in that time. This brought with it its own particular tensions, particularly since many of the employees had professional qualifications and expertise, which predisposed them to view RCO's operations through a professional lens, and which caused tension as their professional leanings sometimes clashed with the religious beliefs of the ordained members, and the outworkings of those beliefs in terms of organizational goals and practices.

Take in Figure 2

In spite of the greater number of employees, the ordained culture was very strong, an almost palpable force within the organization. Their dedication, desire to preserve the good reputation of RCO, and acceptance of fairly short appointments made largely without consultation, was impressive. A number, however, expressed dissatisfaction at the skills required of them, for which they were untrained, particularly in specialist areas of social service provision. There was a very strong belief, amongst older ordained members, that RCO's historically determined, extremely hierarchical and autocratic system was a good one, but younger ordained people tended to favour a more consultative style of making appointments and running the organization. They also recognized the need for specific training and a career path which enabled them to develop an area of interest and expertise.

External Board of Advice

One aspect of RCO's operations which has assisted it in developing a reservoir of expertise in most of its divisions world-wide, and which has opened it up to the use of current corporate practices, is its use of External Boards of Advice. The International CEO instituted this system in 1947, and since then most divisions world-wide have established such boards. RCO has been aware, from its earliest days, of the need to attract the interest of supporters, not only to establish its reputation, but to ensure a steady stream of funds in order to carry out its work. Division East's External Board of Advice sits in the organizational structure as shown in Figure 3, not part of the hierarchical structure, but offering advice at the highest level. It has no decision-making ability, but serves a purely advisory role.

Take in Figure 3

The participation by non-RCO members through these boards is wide-spread, and is an indication of the influence of external, corporate business practices in the accounting, administration, public relations, welfare work and fundraising undertaken by RCO. The terms of reference by means of which Board of Advice members are invited to participate are wide enough to include people of a variety of religious persuasions, with an emphasis on personal integrity and commitment. All are successful and most have high profiles within the corporate or entertainment world.

While the situation has changed somewhat in recent years, RCO has traditionally used its ordained members in specialist business, financial and welfare activities, so the role of External Boards of Advice has been crucial in tapping expertise, fundraising opportunity, and public goodwill. By means of these boards, RCO has remained open to influences from the marketplace and has supplemented its operations with some of the skills its own members have lacked. Perhaps RCO's acceptance and reputation in society today owes something to its ability to recruit and enthuse such groups of people. While some might have the opinion that such liaisons could be damaging to RCO's sense of mission, the organization has found such boards to provide mutual benefits.

Department of Finance

Being administered under the authority of the Chief Financial Officer (see Figure 3), the Department of Finance consisted of the Divisional Finance Officer (an ordained member), the Assistant Divisional Finance Officer (also an ordained member), the Chief Accountant (an employee), the Assistant Chief Accountant (an employee), and the Social Finance Officer (an employee), with various other employees who maintained records and performed a variety of accounting, computing and administrative functions. Of 26 staff, only five were ordained members, but they occupied the top two positions in the organizational hierarchy of the department. There was a shortage of ordained members of RCO who were trained in accounting, although the Divisional Finance Officer had been a chartered accountant before he was ordained. The employment of a Chief Accountant who was not an ordained RCO member, a few years before this study was conducted, was a huge change, and this change continued as gradually more professional accountants came into the organization to take up positions formerly fulfilled by ordained members. As the professional and ordained cultures were juxtaposed, frustration was frequently expressed by employees about the lack of accounting ability possessed by some ordained members who were in responsible financial positions, and also by ordained members at the lack of perception some employees had about RCO's religious commitment. The effect of employed professional accountants on the organization's overall mission and direction was not great, but in the formation and outworking of various financial policies they had some influence, particularly as they worked with consultants in various projects. Some of these influences will become apparent in the next section, as the infiltration of corporate practices into nonprofit organizations is expounded.

3. The creep of corporatisation

There has been much caution urged and criticism leveled at the "growing similarity between sectors" (Myers and Sacks, 2003, p. 288), as corporate practices, including the adoption of accrual accounting, have been institutionalized progressively, world-wide, into the public sector (Christensen, 2003; Karan, 2003; Hopwood, 1990a; Hopwood 1990b; Guthrie and Humphrey, 1996;), and then into the nonprofit sector (Dart 2004; Myers and Sacks, 2003, p. 287, p. 295; Jönsson, 1998; Irvine, 2000; Arnaboldi and Lapsley, 2004, p. 17). One researcher cited a case where a nonprofit organization had "adopted" but not "implemented" Activity Based Costing so it could "present itself as up-to-date and modern to its external controlling environment by the mimicry of the practices of private sector businesses" (Helmig et al, 2004, p. 105, citing Arnaboldi and Lapsley, 2004).

The observation that "managerialism has obscured some of the unique constraints under which nonprofits operate" (Hall, 1990, p. 153) highlights the possibility that the unique role and mission(s) of nonprofit organizations may be misunderstood (Schlesinger et al, 2004), as they become isomorphically indistinguishable from for-profit and public sector organizations. A measure of legitimacy is gained when organizations comply with institutionally acceptable practices. This can be particularly pertinent to a religious organization, as its belief system is fundamental to the way in which it operates, and profit-making is not its dominant focus. The input of various personnel, including ordained clergy, staff, volunteers, funders and clients (Jeavons, 1998, pp. 82 – 84) can represent a variety of powerful institutional forces which vie for ascendancy in the working out of the organization's operations. Religious organizations are judged by their members not only, or sometimes not at all, in terms of their efficiency, but in terms of their "symbolic-appropriateness"[4] (Thompson, 1975, p. 15), which can make the evaluation of the relation between spiritual ends and the "means employed" a flashpoint for disagreement between different groups within the organization. Consequently, for religious organizations involved in the provision of social services, dependent on government funding, and also on the goodwill of donors, the integration of institutionally appropriate practices must be conducted in a mission-astute manner, having regard to balancing religious convictions with corporate principles.

Professional groups represent a powerful normative[5] influence in society (DiMaggio

[4] Thompson (1975, p. 11) observed that there were often criticisms by church members of increasing bureaucratization, either in the form of criticism of "empirical goals" or "a sweeping condemnation of the symbolic-inappropriateness of the organizational form as judged by particular theological ideals about organization".

[5] DiMaggio and Powell (1983) identified three powerful institutional forces which together lead to institutional isomorphism, the tendency of organizations within the same "field" to be similar in structure and practice. These three forces are coercive (as regulators demand certain organizational behaviours), mimetic (as successful organizations within a field are copied) and normative (the unseen but powerful expectations of society, the adherence to which ensures that organizations conform to "wider societal values" (Scott, 2001, p. 152)).

and Powell, 1983, p. 152), to the extent that “the greater the extent of professionalization in a field, the greater the amount of institutional isomorphic change” (DiMaggio and Powell, 1983, p. 156). This means that professionals view problems in a similar way, and institute similar policies, procedures and decision making structures. They strive for autonomy[6] and “discretion and control over programmatic and instrumental decisions falling within their claimed sphere of competence” (Scott and Meyer, 1991, p. 130). They serve on similar boards, have similar career paths, and their employment and promotion guarantee to their organizations a certain legitimacy and acceptance, as they attract rewards "for being similar to other organizations in their fields" (DiMaggio and Powell, 1983, p. 153). The value to an organization of employing professionals is that, apart from any expertise it gains, it can be seen as conforming to “cultural-cognitive” expectations (Scott, 2001, p. 156).

Professional networks have had a profound effect on the operations of nonprofit organizations. Booth (1995, p. 50) identified the transference of management control practices from the commercial sector to the voluntary sector as occurring in response to “the requirements of funding operations, institutionally acceptable practices and solutions, and professional networks”. On a technical level, the contribution of expertise by professionals is seen as highly desirable if such organizations are to “continue to provide essential social services to our communities” (Lightbody, 1999, p. 55). The employment of professionals is also seen as vital for nonprofits to attain the “institutional” legitimacy they depend upon (DiMaggio, 1991, p. 288). The involvement of professionals within nonprofit organizations has a powerful effect on organizational strategies through “the professional background and philosophical

[6] Professionals have been described as preferring “weaker and more decentralized administrative structures that locate maximum discretion in the hands of practitioners” (Scott, 1991, p. 172).

commitments of senior management professionals, and by the identity and special concerns of the board members who may have joined the organization in pursuit of particular personal service/welfare/lifestyle agendas" (Parker, 1998, p. 50). This professional influence is experienced by nonprofits not only through their employees, but also through the employment of professional consultants.

4. Consultants

In an environment where competition for scarce resources is intense and where organizations rely on institutional legitimacy, professional consulting has become an "invaluable" resource (Burdett, 1994, p. 28), not only for corporations, but for the public sector and the nonprofit sector. The public sector has been described as a "major employer" of management consultants, since it increasingly operates in "an environment defined by marketing principles and directed by business forces", and as a consequence has to "grapple with converting private sector principles into public sector practice" (Corcoran and McLean, 1998, p. 37). Consequently, there is a growing body of management literature on consulting, focusing mostly on practical issues such as the desirability of gaining consulting work (Stivers and Campbell, 1995), how professionals can find a consulting "niche" (Burdett, 1994), consultants as facilitators of "organizational learning" (Massey and Walker, 1999), the benefits of "systemic" consulting (Baitsch and Heideloff, 1997), reasons why organizations employ consultants (Sturdy, 1997), the nature of the consultant-client relationship (Fincham, 1999), the "dispassionate" advice offered by consultants (Berry and Oatley, 1994), the benefits of board-level consultancies (Werther and Kerr, 1995), the size of the market for consulting in nonprofit software (Alexander, 2000; McCausland, 1999), the consultant as a client-centred, flexible facilitator (Chapman, 1998), and case studies of systems changes in nonprofit organizations that were assisted by consultants (Brinkman and Brown, 1990).

Some of the literature, however, focuses on deeper issues relating to consulting, exploring the dangers of consultants' recommendations of the application of commercial techniques for public or nonprofit organizations (Saint-Martin, 1998), identifying the "interactive" relationship between consultants and managers (Sturdy, 1997), the normative pressures exerted on managers and consultants' role in responding to these (Williams, 2004), the role of management consultancy in the formation of government policy (Saint-Martin, 1998), the dangers of over-consulting[7] (Myers and Sacks, 2003), the power of "consultant discourse" (Fincham, 1999, p. 342), the tensions between boards and staff in the implementation of consultants' recommendations (Hall, 1990), the risks of employing board-level consultants[8] (Werther and Kerr, 1995) or the political and power relationships inherent in the employment of consultants[9] (Saint-Martin, 1998; Fincham, 1999).

Several themes emerge from these studies:

1. consultants are professionals who bring with them a toolbox of techniques and practices from the corporate world;
2. the employment of consultants is a highly political process, in the initial agreement, in the conduct of the consultancy, and in the implementation (or not) of consultants' recommendations;

[7] One nonprofit organization was reported to have used five external consultants in a 12-month period, with the result that "although skilled in their own practice, the consultants left the organization reeling in the wake of development recipes and solutions leaving people feeling 'done to' with no clear direction on successfully implementing recommendations, which were seen to be vital to the continued health of the organization" (Myers and Sacks, 2003, p. 295).

[8] The retaining of consultants at board level was seen as likely to encounter "CEO resistance", with CEOs adopting various strategies in order to influence the consultants (Werther and Kerr, 1995, pp. 70 – 71). The case was a public company, and the board considered was therefore one with authority over the CEO.

[9] Saint-Martin (1998, p. 348, citing Bloomfield and Danieli, 1995) suggested that management consultants were brought into governments for both technical and political reasons, and that coming from the business sector gave them added credibility.

3. irrespective of the use made of the consultants' recommendations, their employment has a powerful legitimising effect, hence their contribution can be seen as not just technical, but symbolic.

The next section focuses again on RCO and its use of consultants in the light of these identified themes, first outlining the reasons why RCO was so open to the notion of consultancies.

5. Consulting in RCO

Two inter-related factors dominated RCO's use of external consultants, the first being the institution of RCO's External Board of Advice, and the second being increasing pressure to conduct the organisation's operations in an efficient, businesslike manner.

The influence of the External Board of Advice

RCO's use of a Board of Advice has already been described. For several decades, Division East had relied on advice from high-profile members of the business and corporate world, not necessarily RCO members, who serve on such a board as a worthwhile charitable endeavour. Through these contacts, senior RCO officers were introduced to corporate personalities and business methods. This donated expertise had a profound impact on RCO's fundraising methods in particular, and stimulated the organization to employ a growing number of marketing and fundraising professionals. Similar relationships with prestigious accounting firms and corporate leaders led to a greater awareness and admiration of corporate and business practices. The adoption of some of these practices significantly impacted RCO organization and culture. This awareness of corporate practices, including accounting, coupled with a funding imperative, made RCO open to employing consultants to advise in areas which its leaders believed needed improvement. During the time when the budgeting study was being conducted, reference was frequently made by people to these other consultancies, the implication being that these were good and helpful, thus illustrating RCO's willingness to embrace new ideas and move forward.

The need to operate in a businesslike manner

Consistent with the observations of James (1998, p. 271) that nonprofit organizations are not reluctant to embrace commercial activities, and in spite of the fact that the organization did not exist to make a profit[10], there was little disagreement with the notion that RCO needed to be run along businesslike lines. An internal report presented in 1990 to the then Divisional CEO proposed action regarding the adjustment of programmes, property, locations and personnel within the Sydney area. Its focus was on community and social services programmes, institutions and centres, but excluded churches. Essentially a programme and business-oriented agenda, it was concerned to make recommendations for "extending, adjusting, discontinuing or relocating" those services. The recommendations were to be accompanied by budgets, costing, valuations and staff requirements. One part of the report emphasized RCO's Charter, and the need for the organization to be loyal to its first principles. Another stressed the need to apply Christian stewardship in the utilisation of resources.

People interviewed in the course of this study expressed different reasons why they believed RCO ought to be run in a businesslike manner. Funding imperatives were a one major reason, since RCO, like other nonprofit organizations, increasingly relied on commercial sources of income (Young, 1998, p. 209). In addition, some of those

[10] La Barbera (1990, p. 227) investigated 35 "enterprise" activities of religious nonprofits, ranging from simple one-off ventures to complex enterprises such as hospitals, universities and cable television stations, and found that the earning of income was "rarely the primary consideration or measure of success when religious-based nonprofit enterprise (was) initiated and evaluated".

interviewed placed emphasis on the need for accountability because of the reliance on public funding.

Some organizational members were concerned about the increased government requirements made of recipients of government funding, and maintained that meant RCO had to raise its reliance on business methods of operation, particularly the application of accrual accounting One senior ordained RCO member asserted that RCO's responsibility to run in "a businesslike fashion", particularly in the light of changes in the nonprofit sector. He said that current government policy, with the tendering for services system, had changed the emphasis from co-operation between groups to competition, with the tendering for services system. The trap was that inexperienced groups could submit lower tenders, and run into trouble. The emphasis was on the financial aspects, but these, he suggested, were not the only aspects which ought to be considered, with a balance maintained between financial realities and mission imperatives.

Others emphasized the size of RCO operations, and maintained that necessitated a businesslike orientation, a need to adopt "business methods of the day and age in which we live". A senior ordained member, employed at the Division East Head Office, for example, spoke of the need to bring in a professional accountant from outside RCO to fill a position which had traditionally been held by an ordained person:

> ... I think we need the objective view of somebody who has not, up to this stage, been mixed up in RCO at all, and will enlighten us about the best way to do it (run efficiently).

Even some of RCO's churches were devising business plans or employing business managers.

Another motivation for adopting businesslike practices, based more on the internal culture of RCO and the scarcity of resources available for running its various ministries, was the notion of Christian stewardship, or “merchandising for the master” as one ordained member employed in a social centre expressed it. “This is the Lord’s business,” said an RCO non-ordained employee in another social centre. The main purpose of running RCO’s business arm, according to one ordained social officer was to produce funds that would go into RCO’s general funds, to be allocated wherever they were needed. He defended RCO’s practice of selling goods that were donated by the public by saying that “every dollar that’s got in is precious”. One ordained church leader said that RCO’s emphasis on profit making enterprises over the last few years had been borrowed from RCO experience in the USA. He attributed it to the Divisional CEO’s desire to help RCO to be viable in the longer term, i.e. to set up business systems which would help to make RCO self-sustaining in a financial sense. This was seen as completely consistent with its mission.

At one Head Office Budget meeting in 1997, the subject of employing a business manager for RCO’s counselling arm was raised. It was agreed that somebody was needed who had a “good business brain”, and could generate more funding for the service. Again, at a Divisional Head Office board meeting, a social centre manager was praised because of his ability to generate a profit for RCO.

The organizational culture and context was that RCO was open to external influences and advice, and far from viewing the employment of business methods as a threat to its mission, they were seen as a potential enhancement. Consequently, the organization was open to the employment of consultants and the absorption of commercial practices. Following are descriptions and analyses of five consultancies that were undertaken during the period of this study, a budgeting study conducted by the author, a computer systems study conducted by a professional accounting firm, a consultant's report on RCO's Recycling Industries, an aged care study, and an organizational review.

A budgeting study

In a sense the budgeting study was a form of consultancy, but at no cost to RCO. From the very beginning of negotiations, the concern of senior RCO management (all ordained) was twofold: that RCO should receive some benefit out of it and that privacy should be ensured. Consequently, access was granted on the condition that a report on RCO's budgeting system be presented at the end of a year's research, and secondly, that strict confidentiality arrangements were applied. By the time the report was finally prepared, however, the Divisional CEO, and the CFO, both of whom had approved the study, had both been transferred elsewhere in the organization, and it was presented instead to the new CFO, who was relatively uninterested. Both the Divisional CEO and the CFO advanced in the organization, the former becoming the world-wide CEO of RCO and the CFO moving to a higher appointment in the USA. Notions of change for change's sake, and the use of consultancies as legitimising strategies agents for organizational leaders who want to be seen as proactive, visionary change-agents could be relevant in this case. The Divisional Financial Officer and the Assistant Divisional Financial Officer had also been involved in the original negotiations, and were still in those positions. They were disappointed at the reaction of the new CFO to the report, and to his refusal to take any action as a result of it.

The study of RCO's budgeting system, prepared for RCO as an accounting/consulting report, revealed a cumbersome, bureaucratic process, with little real involvement lower down the organizational hierarchy, and a complicated and time-consuming system of budget approvals. Sometimes budgets had not been approved until months after the new budgeting year began, leaving managers of social centres with great frustrations as they operated without any knowledge of what their current budget actually was. The difficulties in RCO's budgeting system that had been highlighted at the outset by the Chief Financial Officer and the Divisional Finance Officer still existed, but there was a marked lack of enthusiasm in embracing any further revelations or suggestions for change.

The new CFO's response to the report has already been described as "relatively uninterested". The only specific reservation he expressed with the report was with a section entitled "Putting the right people in the right places". The emphasis there was on ensuring the accountability of all personnel, both ordained and non-ordained, revising the system of short appointments to ensure more expertise of those involved in the budgeting system, setting up training mechanisms, and releasing ordained members from many of the administrative positions they currently occupied by employing well qualified professionals. It would have necessitated a cultural adjustment, but was one that had already been attempted by the former Divisional CEO.

Another reason that the report was virtually buried could have been because of a fear that private and damaging information about RCO might be set loose within the community. This had certainly been a concern during the initial negotiations, when RCO's heavy reliance on external funding was emphasized. There had only been one other academic study undertaken on RCO's Division East, and apart from these two, all other consultancies had been privately contracted, the findings therefore being totally private and confidential, the property of RCO. But perhaps the major reason why the report was not acted upon was because of the conduct of an organizational review, discussed later in this paper.

A computer systems study

Frustrations with the outdated computer system abounded at every level: in the Divisional head office, in the offices of the eight sections, and at social centre level. The problems with the slow, unwieldy and inaccurate system had come to the attention of a management consultant two years earlier, when he was employed to conduct a series of training workshops through the division. He recommended the introduction of a commercially developed system, instead of the in-house system RCO currently used.

The top-tier accounting firm which conducted RCO's annual audit observed similar problems when auditing the accounts for the year ended 30 June 1996. One of the main issues highlighted in their report was the "unintegrated and inflexible" computer system. The Chief Accountant (a professional accountant), frustrated by the computer system himself, responded to this report by sending a memo to the Divisional Finance Officer, in which he discussed each of the accounting firm's criticisms. He agreed with their comments on the computer systems, and noted that RCO had limited time in which to establish another software system before the year 2000. He went on to propose four possible solutions for dealing with the extensive accounting and computer system problems which had come to light, favouring an option which would centralize data at Divisional Head Office. It was suggested that this would speed up the collection of data by means of several strategies, including "converting the data to a more powerful and useful database, allowing for easier and quicker access to information" and "having the data in one format rather than two". He stated that he was sensitive to the need to maintain a sense of "ownership" at a local level, but was also concerned that Divisional Head Office should provide a "better financial service" to the Sectional Offices and the social centres. An interesting aspect of his memo was that this option was the one he favoured, and was the only one which he mentioned as having been discussed with the accounting firm and having received their "endorsement". At the end of his memo, the Chief Accountant included a page on which he outlined a proposed study of the computer system. He highlighted the year 2000 imperative, and described having had extensive discussions with various accounting and computer systems experts. The result of these discussions was that a study ought to be performed to assess the best way to collect the data from the centres and process the data to meet RCO's statutory obligations.

The accounting firm also had observed that with the government's becoming more selective in their funding, organizations needed to ensure they were meeting their reporting obligations if they were to maintain their level of funding. The budgeting system was implicated also, because budgets were prepared on three months estimations, not on actual data. Even the "actuals" were inaccurate, with the result that RCO's financial management suffered. Based on these powerful reasons, reliance on government funding, a need for accurate financial information, and the desire to offer high quality financial management, the Chief Accountant called for a formal study, which he proposed would cost less than $15,000. The memo was addressed to the Divisional Finance Officer, and he was requested to submit the proposal to the Divisional Finance Council[11], based on this information:

- three organizations had expressed an interest in carrying out the study, including RCO's auditors;

[11] The Divisional Finance Council advised the Divisional CEO on finance decisions at the highest level of the organization. It consisted of the Divisional CEO, Assistant Divisional CEO, and the highest-ranking members of the organization. While they attended, only the Divisional CEO had a "vote". The final decision about all matters was his.

- “ball park” estimates of both software and hardware were between $60,000 and $120,000, with an annual fee of less than $15,000;

Professional networks can be seen to have played a powerful role in the decision to pursue this strategy, and to employ the auditing firm.

The decision to undertake the computer systems study was approved, and the auditing firm were awarded the consultancy project, due possibly to some recommendation from the External Board of Advice. Lobbying occurred within RCO about the extent of the review, and after some discussion, it was agreed that it would include social centres as well as Divisional Head Office and Section Offices. The review was required to provide recommendations on short term improvements in the reconciliation and consolidation process, short term improvements in the accuracy and timeliness of information collections and consolidated and a longer term vision on the infrastructure and process best suited to the collection and consolidation of information. As well, it was to satisfy high level requirements for RCO’s general ledger system and to provide a plan to be followed to select and implement financial systems to replace the current computer generated accounting system (CGAS).

After interviewing twenty-five key staff members at several social centres, Section Offices and Divisional Head Office, several recommendations were put forward when the review was presented in April 1997:

- the consolidation process should be performed monthly, and should roll up from centres to Section Offices through to Divisional Head Office;
- the use of a standardised chart of accounts structure throughout RCO would greatly enhance the consolidation and reporting process;
- in the short term, responsibility for data entry and reporting should be taken away from those centres that do not have the necessary skills;
- centres should be provided with more support in discharging their reporting responsibilities;

- responsibility for data entry could be moved back to centres in the longer term when policies and procedures are fully developed, and knowledge levels increase;
- as a longer term strategy, more use should be made of packaged systems to cater for user needs;
- the project to replace CGAS provides an ideal opportunity to select packaged systems for centres and Section Offices;
- the computer services role would then become one of more co-ordination and support

Because the computer system had a wide impact on every level of data capture and management within the organization, the opportunity therefore existed to put in place a system which would answer the specific problems RCO was experiencing. The use of packaged systems, it was suggested, would provide, among other things, an opportunity to involve key users in the documentation of requirements for the replacement of systems. This idea was taken up, and a series of computer users meetings began. Significantly, the choice of the software package was given to Divisional Head Office's Finance Department, with the computer services department being required to implement it. The Chief Accountant had expressed a desire for "ongoing" support from the accounting firm, and this was arranged so that he could consult with them as required. As regards the implementation of the computer systems review, an employee of the accounting firm was to come in at cost plus out of pocket expenses. It appeared to be important for the Chief Accountant to have this external support for the implementation of the new system, since, as already mentioned, it lent the project a legitimacy and authority that perhaps it would not otherwise have had, and which he needed, as a professional accountant employee, in order to put his case for change to the ordained members higher up the organizational hierarchy.

The introduction of the new computer system was fraught with frustration, as the users group met frequently, and trialled its implementation at one centre in particular, with the aim of refining it before it was introduced at other centres. Even by August 1998, ten months after my access period finished, it was described as “rough”, with difficulties in implementation. In the meantime, however, validations were required from aged care centres in receipt of government funding, with more stringent requirements than ever before. This was apparently becoming the pattern, that the more government funding was received, the more accountable organizations were being held. This put incredible strains on an organization such as RCO, with a great number of untrained personnel.

These pressures provided a powerful incentive for RCO to push ahead in applying the suggestions made in the computer systems review. This was a series of recommendations it could not afford to ignore, in spite of the fact that the application of those recommendations put a great strain on the organization’s resources, both in terms of finances and personnel. The computer project delivered both technical and legitimizing benefits to RCO, through its ability to meet government reporting requirements, and also demonstrated RCO’s conformity with professional and technical norms.

A report on Recycling Industries

RCO’s Recycling Industries, under the auspices of its Rehabilitation Section, were responsible for generating a significant amount of profit each year through the operation of retail outlets selling donated clothing, furniture, household goods and bric a brac, as well as through the manufacture of industrial wipers, using rags. In 1996, the then head of the Rehabilitation Section commissioned a report from a private consulting firm, the purpose of which was to provide a fresh and objective look at the industry's operations and to make recommendations which would improve the overall efficacy and effectiveness of the industry whilst simultaneously improving profitability and controls. The motivation was primarily the raising of funds and the cutting of costs. Rehabilitation Section supervised the division's drug and alcohol rehabilitation programme, and Recycling Industries, which for the twelve months ended 30 June 1995, the period immediately preceding the study, contributed a surplus of approximately $2.9 million to RCO, which went towards the maintenance of that programme. This was recognized as an industry with great potential, and with a growing need to provide funding, RCO was developing the strategy of funding its own programme through its business endeavours. The consulting report, presented in August 1996, focused primarily on:

- retail profitability, shop presentation and controls, stock holdings, discounting and sales policy, security, and expansion possibilities;
- production, including quality, productivity and a review of current operational processes;
- transportation, including fleet management, size and cost;
- raw material collection, including clothing bin analysis, location and required levels for current and future requirements;
- administration and organizational structure.

The findings of the report were based on the establishment of benchmarks and key performance indicators (kpis) in the areas of retail, production, transportation, raw materials and administration. These benchmarks had been developed as a result of observations in the two Australian divisions of RCO. The report contained detailed observations of all stores and production centres, and presented vast numbers of figures and kpis (key performance indicators). One aspect of the report was to highlight overstaffing at a significant number of outlets, possibly the result of RCO's charitable view of employing people who needed jobs.

It was proposed that an experienced sales and marketing employee be engaged in the near future, that the general manager take on responsibility for security, and also oversee bin placement and raw material management. These strategies would lift the performance of Recycling Industries to the level of the big business which it had become, by managing and controlling it according to sound business practices. Employing corporate language, the consultants asserted that quantifiable cost reductions of approximately $1.8 million could be achieved, bringing the industry into an increasingly profitable operation through increased efficiency, retail activity and productivity. It was recognized that it would be a huge organizational commitment and a massive challenge to achieve these targets, requiring commitment from all levels of RCO, including its External Board of Advice.

Significantly, the head of Rehabilitation Section, who commissioned the report, took up his new position at Divisional Head Office from 1 August 1996, so was not there to push it through the approval process or oversee the implementation of any of the recommendations. This was another instance of the commissioning of a consulting exercise being positively viewed by the hierarchy in terms of promotion. The new Rehabilitation Section head was described by one Divisional Head Office employee as being more interested in programme than finances. He had therefore not pushed it as it would have required, with the result that the system had not been changed as suggested. One social centre manager, when speaking of another external report RCO had commissioned, which relied heavily on benchmarks, described them as a "catch phrase" which RCO was keen to embrace, but not very eager to implement.

Reactions to the Recycling Industries report were mixed. One finance department employee described it, with its setting of benchmarks, as promoting a "more businesslike way of operating". Another said he had "a few reservations" about the report, an opinion which was shared by more than one Recycling Industries officer. An ordained member, employed in Recycling Industries, observed that in his opinion, some things in the Recycling Industries report were “a bit unrealistic”, in terms of the benchmarks set. With RCO ordained members receiving modest living allowances, the payment of $850 per week to a non-ordained manager in one Recycling Industries centre seemed to some officers to be excessive, but another ordained member pointed out that under that manager’s leadership, sales had been raised in a four year period from $750,000 to $2 million. He felt the large salary (in RCO terms) was more than justified.

Even though the report was embraced warmly in most quarters, and applied to a certain extent, without the impetus from the person who saw the need for it in the first place, the process of change was definitely hampered. It seemed that people within RCO liked to talk about it, but were not prepared to act upon it.

An aged care study

Changes in the government’s funding of aged care centres, and the tightening of reporting requirements imposed on those centres, necessitated a re-think of the way such centres were managed. During the 1990s, RCO was in the throes of working this through its organizational systems. Following the warm reception (although, noticeably, the lack of application) of the Recycling Industries report, and of reports that the same consultant prepared for RCO’s Division South, he was appointed by RCO again in 1997 to prepare a report on its aged care centres. Apparently several years earlier, another report on aged care centres had been commissioned, but it had not been implemented. Now, faced with tougher external pressures, RCO had to face up to its goal of eliminating deficit funding for aged care centres, and requiring them at least to break even.

By the time the report was released, my access time in RCO had finished, but during my time there, I noticed a definite sense of anticipation that this report would achieve some substantial savings, savings which it was acknowledged were greatly needed. The Chief Accountant, in a Divisional Head Office budget board meeting, said he expected current deficit funding of $1.4 million for nursing homes and hostels to be eliminated, a substantial saving. He also warned social officers and employees at a training workshop that aged care centres were to be brought back to a zero deficit. The report was referred to also in a Section Office budget board meeting, when Section Office personnel were warned that once it was finalized, there would be no more deficit funding for aged care centres. Everybody seemed aware, with a sense of apprehension, that aged care centres had to start to pay their own way, and that more stringent accounting and operational practices had to be adopted. While they were performing a social service in keeping with RCO's mission, the need to run in a businesslike manner was accepted.

One senior and experienced ordained social centre manager had some interaction with the aged care consultant several years earlier, and respected his knowledge about aged care centres. He said the consultant had a reputation for being incisive regarding the changes that would have to be made. The manager predicted that the rest of the division would get a shock when the report was finally released, and they realized the standard of performance and accountability that would be required of them. The motivation of cutbacks in government funding, once again, was a powerful force in commissioning the consultant. Whether or not this report was implemented is unknown to this author. .

An organizational review

Of all the consultancies commenced at RCO between 1996 and 1997, Paul Corney's[12] was potentially the most far reaching, and probably the most politically controversial. When the then Personnel Head came to his new position at THQ in August 1996, he was concerned that in an organization with over 3,000 people, there was only one industrial relations officer. He asked Divisional Finance Council for another, and was refused. At that point, he said he would be prepared to undergo an audit of personnel. Tenders were called for, and four applicants submitted proposals. One, Paul Corney, stated that a personnel review was not broad enough, and that it ought to be an entire organizational review, encompassing the whole of Divisional Head Office and the eight Section Offices as well. This obviously made sense to the Territorial Finance Council, and he was employed as a consultant.

Corney set about his task with great vigour, interviewing over one hundred RCO personnel, and workshopping with about three hundred others. As he moved through the organization, he gathered together groups of people, both ordained members and employees, from all sections of RCO. Reports about the workshops indicated they were lively at least. One senior ordained member, who attended a workshop for employees, described how vocal they were, and how they "let rip" about the hierarchy, seeing it as clearly defined, with ordained members at the top, employees who were affiliated with RCO in a church capacity next, and other employees at the bottom. That same man said that responses of people during interviews had been enlightening rather than surprising, with most people being extremely frank in expressing their opinion about the way they saw RCO.

[12] Paul Corney (a pseudonym) was a management consultant.

One finance department employee who attended workshops for finance, audit and social personnel, commented that from his point of view they were a "waste of time", because the competent ordained personnel that would be needed to put any of the proposals into place simply did not exist. Another employee said he was disappointed at the type of questions ordained members asked at the workshop he attended, since their focus appeared to be chiefly on what they could get out of the changes, rather than how the changes could help RCO move into the future.

The Corney report overlapped to a great extent with the budgeting study, since it too took an organization-wide perspective. As a senior ordained member expressed it, he could not promote both of them to the new Divisional CEO when he arrived, so he chose to sideline the budgeting study and concentrate on the one which had been commissioned as an organizational review. In late August 1997, the Corney report was scheduled to be presented as an options paper, with a workshop following for Internal Advisory Board members and Section Heads. Then, the next month, another workshop would follow with the purpose of settling on a strategic framework, which was to be implemented over the next three to five years.

The report was presented confidentially, and while this author never saw the full report, by discussing it with Paul Corney himself, it was possible to ascertain that many of his observations and recommendations overlapped with the budgeting report, particularly regarding the powerful nature of RCO structure and culture, the emphasis on control and the lack of accountability. The senior ordained man who had been assisting Paul Corney spoke in glowing terms about the study, even before the report was released, which was hardly surprising, since he had been attending workshops and interviews with Corney from the beginning, and was deeply committed to the project. His impression was that Corney wanted RCO to change from being a crisis management organization to a strategy oriented organization. He acknowledged that this had been the focus, and approved of this change in orientation.

Another senior ordained person was guarded in his comments after attending the initial presentation. He stated that there had been no official response yet to the recommendations. He did volunteer the observation that some of the Internal Advisory Board members, when presented with certain pieces of information in the report, responded that they were the comments of radical people in a minority, who spoke with a loud voice. In spite of this, he said nobody was particularly surprised by the report. It was interesting that similar comments were made about some of the observations contained in the budget report, that they were the comments of a few vocal, disenchanted people, and not representative of RCO as a whole.

One ordained member employed at Divisional Head Office, observed that the aspect of the report which impacted on him most was that the role of Divisional Head Office had to change, from being a control centre to a resource centre. Another senior ordained person agreed with this observation, seeing Divisional Head Office's role ideally being advisory rather than operational, based on what the report had presented. He expressed frustration at the lack of impetus to carry through the suggestions from the report. The fact that the Divisional CEO had been transferred in the meantime meant that with the new Divisional CEO it would not have the same impetus it might have had[13]. There was debate for some time about how the report would be implemented, and who would be responsible for that implementation. Would Paul Corney be employed to manage the change necessary, or would an ordained member be needed to lend it an authority which an employee would not have. One Divisional Head Office employee from the Finance Department expressed the opinion that the

[13] One ordained member actually expressed the opinion that the system was much "tighter", i.e. less open to change, since the new Divisional CEO had taken up his position.

report would stall, since ordained personnel were not prepared to step outside their comfort zone.

The following year, Corney's response encapsulated some of these comments. He had left RCO in January 1998, and said somewhat sadly that his report had been "politicized" since that time. RCO had decided to implement it over a five year period, which he feared would cause it to lose much of its impetus. He had had high hopes, and felt he had softened up the organization, but unfortunately, resistance to change had overtaken it. He was disappointed but not surprised. The problem was finding a leader within RCO who could see the project through. It would have to be somebody with hierarchical authority, and that posed difficulties, since those at the top of the organization were not necessarily committed to achieving the aims of the report.

What significance did this report have for RCO accounting systems? Simply that the cultural factors which led to resistance to the implementation of the report were also at play in the accounting arena. Financial decision making, accountability, the adoption of accrual accounting, the meeting of external reporting requirements, and the adoption of a new computer accounting system, were all dependent on RCO's own structures, cultures and routines, which were deeply embedded. The extent to which external consultancies could impact on these unique features perhaps determined the extent to which their advice was adopted. Even though external consultancies were welcomed, and corporate jargon was used with great enthusiasm, there appeared to be significant resistance, at a deep level, to far-reaching cultural changes. While the necessity for some change, in terms of fundraising and meeting the requirements of external agencies such as government, was a driving force, changes which affected the fabric of the organization were more likely to be resisted.

The organization was forced to bow to institutional pressures, but it did not necessarily have to adopt them wholeheartedly and unreservedly.

6. Conclusions

Because nonprofit organizations such as RCO rely for funding on the general public, and increasingly on corporations, they experience pressure to adopt corporate-style accounting and management structures and procedures. In the case of RCO, the added influence of its External Board of Advice added to those pressures, as did the employment of various professionals, particularly in the field of accounting. RCO and other nonprofit organizations need to adhere to these normative pressures if they are to be perceived as legitimate recipients of scarce resources. The employment of external consultants is one example of corporate-style practices which bestow not only knowledge and technical expertise, but also legitimacy.

However, nonprofit organizations, particularly those with a religious base, face challenges in the adoption of corporate technologies. They need a way of understanding the internal and external environment in which they work in order to assess the value of the consultancy services they wish to obtain. Since profit-making is not their primary agenda, they must have clear guidelines about what they want to achieve in employing consultants, choose those consultants carefully and be discerning in the application of the recommendations they receive. If they are employing consultants for their legitimising potential, this is unlikely to be acknowledged, but is extremely interesting from a research viewpoint.

As more organizations in the public and nonprofit sectors have adopted the practices of for-profit organizations, new institutional “norms” have developed, illustrating the increasing institutionalization of the sectors. Within nonprofit organizations, there is wide scope for further research not only on the way in which corporate-style practices are embedded within organizations, but on the appropriateness of those practices for nonprofit activities.

The infiltration of corporate accounting and management practices from the private sector, through the public sector, and into the nonprofit sector, has already been documented by accounting researchers, particularly in relation to the adoption of accrual accounting. However, little research has been undertaken on the role of external consultants in that process. This study not only provides insights into how one religious/charitable organization, RCO, managed (or resisted) the process of change through the employment of external consultants, but also attests to the integrity of an institutional interpretation of the normative pressure for nonprofits to employ external consultants. Working through professional groups, and making corporate techniques and strategies available to nonprofit organizations, they offer more than technical expertise. They also offer the opportunity for organizations at least to give the appearance of conforming with normative institutional pressures and therefore being worthy recipients of funds.

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Figure 1. RCO's Division East organizational structure

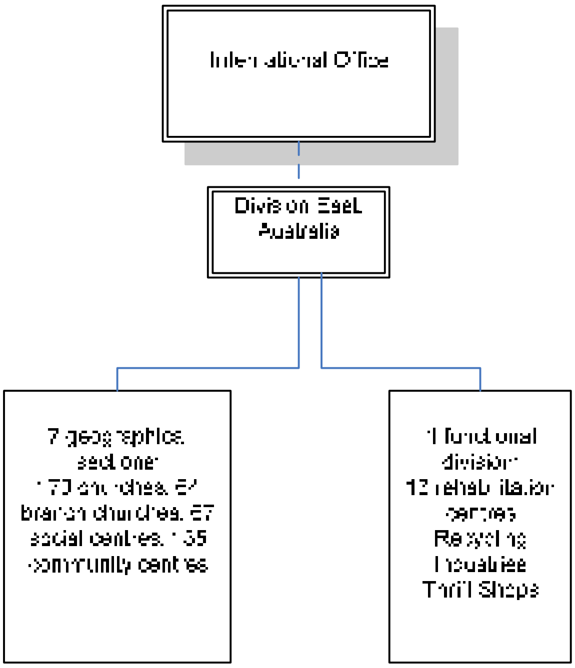

Figure 2. Relative size of active ordained officers and non-ordained employees, 1960 - 1995

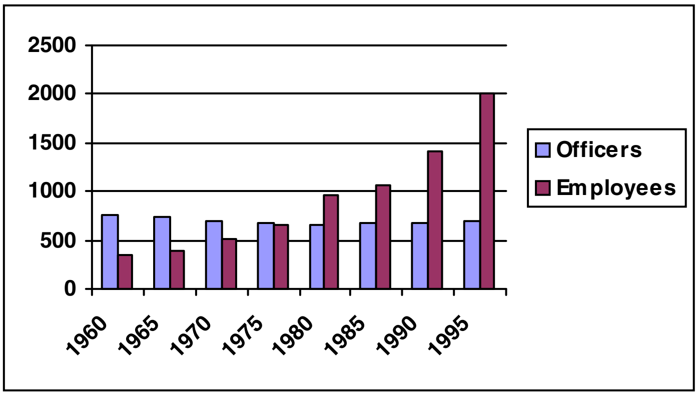

Figure 3. External Board of Advice in Division East's Organizational Structure