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**Social capital and management control
systems: a study of a non-government
organization**

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In this paper we use the concept of social capital to outline a distinctive approach to understanding the interplay between management control systems and the development of social connections in and between organisations. Social capital provides a comprehensive framework for examining the nature of social connections through its focus on both structural networks (bridging) and interpersonal relationships that predispose individuals towards mutually beneficial collective action (bonding). In doing so, social capital provides a means of considering how individuals react to management control systems in terms of the social ties that exist both within the organization and external to the organization. Using a case study of a non-government organization, we show how social capital is implicated in efforts to attract economic capital and cultural capital. We demonstrate how elements of a management control system can either enhance or inhibit the bonding and bridging dimensions of social capital with potential consequences on both economic and cultural capital. We highlight the mixed and sometimes contradictory effects of management control systems on social capital, and provide a powerful illustration of the role of management control systems in brokering alliances and bridging structural holes.

Key words: social capital, management control systems, non-government organizations.

Social capital and management control systems: a study of a non-government organization

Non-government organizations (NGOs) have a central role in delivering welfare services. NGOs rely on developing social connections to draw together those in need with service providers and suppliers of welfare funding. This raises issues of how social connectedness can help organizations, such as NGOs, to deliver their services, and, consequently, has encouraged researchers to examine social infrastructures that facilitate individual and collective action of many kinds (Coleman, 1990; Foley & Edwards, 1999). Across a broad range of disciplines, the study of social connectedness has been facilitated by examining the phenomenon of social capital. Adler and Kwon (2002, p. 17) note “A growing number of sociologists, political scientists, and economists have invoked the concept of social capital in the search for answers to a broadening range of questions being confronted in their own fields.” On this basis, we explore how social capital may contribute to knowledge in the area of management control systems (MCS) and how it may affect the management of NGOs.

In this study our particular interest is in NGOs that provide welfare services to the community within the institutional space termed ‘civil society’.¹ Providing welfare involves NGOs developing an identity to deliver humanitarian services and to attract economic capital to fund operations. At times these two functions can be in tension. Social capital has a potential role in delivering services and attracting resources, and in managing the tension between the two. Also, MCS are used both to

¹ While ‘civil society’ has been defined in numerous ways, the term is generally taken to mean a realm or space where there are a set of organizational actors who are not part of the household, the market, or the state (Lewis, 2007, p. 54). Lewis & Madon (2004, p. 120) define civil society as “...an institutional space between state, market, and household in which citizens could form associations, organize public action, and represent their interests and aspirations.”

assist in attracting economic capital and in delivering welfare services. Our study is concerned with understanding the interrelationship between MCS and social capital. Specifically, we examine how the combination of MCS and social capital can be either more, or less, effective in helping NGOs maintain their identity and capabilities to deliver services, while gaining funding.

We draw on the work of Bourdieu (1986) and Oakes et al. (1998) in elaborating on the inherent tension facing NGOs as they struggle to balance the desire to maintain their core values and work processes based on humanitarian ideals (their cultural capital) with the need to attract sufficient economic capital. To help understand how social capital is used by NGOs to deliver effective welfare services, we also draw on a stream of social capital research that focuses on the mechanisms that can strengthen the integration of agents to best effect co-ordinated actions, and examines how social capital can create consensus and sustain the stable development of society (Putnam, 1993; Coleman, 1990), as well as provide advantages for organizations (Krackhardt & Hanson, 1993; Hargadon & Sutton, 1997) and individuals (Gabbay & Zuckerman, 1998; Burt, 1992). From this literature we use the concept of structural bridging to analyse networks of social ties, and relational bonding to examine how individuals are predisposed towards mutually beneficial collective action. Identifying these distinct dimensions helps isolate different advantages (and disadvantages) that can be derived from social capital (Gittell & Vidal, 1998), particularly related to information, power and solidarity (Adler & Kwon, 2002).

In overview, examining how organizations seek to develop economic and cultural capital allows us to identify what is at stake as NGOs respond to pressure to be more efficient and effective. Although attempts to attract economic capital may

destroy cultural capital (Oakes et al., 1998), some research suggests that bonding and bridging can play a role in attracting economic capital while preserving cultural capital, although this is by no means assured (Adler & Kwon, 2002). We argue that MCS have potential effects on bonding and bridging, both positive and negative. Consequently, important insights into the generation of economic and cultural capital can be gained by considering how MCS are implicated in the processes of bonding and bridging social capital.

From a MCS perspective, considering social capital helps to understand how combinations of controls can have complementary or conflicting effects which may influence organizational outcomes. Typically, formal controls are an important facet of MCS and help to maintain financial viability and develop efficient and effective work processes.² The MCS literature has also shown that employing more flexible, organic controls can help maintain employee commitment and a sense of innovation, and that MCS may be most effective when formal and organic controls operate in combination (Davila et al., 2009). By focusing on social capital, specifically the social ties involved in bonding and bridging, we are able to enrich understanding of the processes whereby formal and organic controls, and their combination, have their effects. Thus, social capital is important as it allows us to consider how different aspects of MCS can have effects on how individuals react, not only within the organization but also external to the organization.

To summarize, our study is one of the first to analyse the use of MCS in NGOs and thus responds to the call for research into issues of management and

² To classify formal controls we draw on Simons' (1995) levers of control (LOC) framework that identifies belief and boundary systems, and diagnostic and interactive control systems. We also consider the concepts of enabling and coercive controls to show how effective controls must have sufficient information and means of engagement to enable employees to address their areas of operation (Ahrens & Chapman, 2004). We use these frameworks, separately and in combination, to help elaborate on how MCS can help or hinder the development of social capital.

management control in these types of organizations (Hopwood, 2005; Lewis, 2003; Ebrahim, 2003). Specifically, we explore how the connection between MCS and social capital can potentially enhance or damage an NGO's ability to manage the tension between attracting sufficient economic capital while sustaining cultural capital. Within this context, the study contributes to understanding the role of MCS in several ways.

1. The study identifies how formal MCS have mixed effects on social capital. Formal controls adopted to attract and maintain economic capital can damage internal bonding with potential negative effects on service delivery, but enhance an NGO's prospects to develop bridging social capital to attract economic capital while preserving cultural capital.

2. Our study highlights the potential contradictory effects on social capital from the use of belief systems to develop and reinforce values. We show how active use of belief systems helps to manage and maintain employees' identification with core values and thus develop strong bonding within organizations; yet such strong bonding leads to an inward focus and inhibits openness to developing bridging with other organizations.

3. We provide a powerful illustration of the role of MCS in brokering alliances and bridging structural holes. We elaborate on how an NGO can promote the preservation of its cultural capital when developing alliances by bridging structural holes, and show how formal MCS support this process by demonstrating and legitimizing the capabilities of the NGO to others in the alliance.

4. We draw attention to difficulties in introducing formal controls where more informal, organic processes are the customary form of control. We suggest that the 'interactive use' of formal controls can be compatible with customary organic

processes if they have enabling characteristics. In this way formal controls may assist in developing internal bonding social capital.

The remainder of the paper is structured in three sections. The first section presents a review of relevant literature. The second section outlines our field study including discussion of our method and presentation and discussion of the results. In the third and final section we present conclusions and limitations of the study.

Literature review

We commence the literature review by considering the extent to which social capital has been examined in management control systems research. Next we identify how Bourdieu (1986) conceived of social capital as combining with economic and cultural capital to provide entities with advantage. We show how economic and cultural can be in tension and how social capital can potentially resolve this tension. Following are sections that consider the properties and outcomes of social capital, and the way in which management control systems may be linked to social capital. Finally, we discuss the institutional context within which our study is positioned to show how NGOs face a setting in which there is increased pressure from government to demand accountability in the public sector, including NGOs, by way of the application of formal accounting systems.

Social capital and prior management control systems research

There are relatively few prior studies on the role of MCS in the development of social capital at the organizational level.³ However, themes relevant to the concept

³ Jacobs & Kemp (2002) found that among Bangladeshi small traders, the absence of accounting could be explained by the presence of social capital. Awio et al. (2007) found that in Uganda, community-led initiatives had the potential to enhance social capital and lead to improved accountability and social outcomes.

of social capital have been explored in research on inter-organizational relationships. One line of research has focused on how social networks can be structured to facilitate coordination, typically between an organization and its suppliers. The structuring of networks is relevant to social capital (see Mouritsen & Hansen [2006] and Håkansson & Lind [2007] for overviews of the role of MCS within enterprise networks). Other research has examined how relationships between an organization and important outside parties are influenced by accounting controls and social processes involving high levels of trust (Håkansson & Lind, 2007).

While the MCS literature has investigated how inter-organizational relationships can involve structures of networks and informal, trust-based controls, these studies are based, in the main, on dyadic relationships between organizations and a key constituent, such as suppliers. This potentially limits consideration of the totality of relationships and network connections that relate to the development of social capital. There are only a small number of accounting studies that have examined how organizations interrelate within the broader network of entities with which they interact (see, for example, Tomkins [2001], Mouritsen & Thrane [2006] and Chua & Mahama [2007]). While prior MCS research into networks has not explicitly examined social capital, Mouritsen & Thrane (2006, p. 245) acknowledge a potential role: “it is also possible to study networks through social capital. Here networks are not in principle flat structures but ones structured by social capital. Social capital positions actors in social structures or relations and determines the actor’s life-chances (Coleman, 1988; 1990).” This indicates a potentially important role for social capital in developing understanding of how social ties deliver benefits within network relationships and how MCS are implicated in these processes.

Social capital within Bourdieu's concept of capitals

Bourdieu (1986, 1993, 1998) considers how social connections can be used to gain individual advantage. He identifies economic, cultural and social forms of capital, control over which helps entities maintain a position in the status hierarchy of society and to exercise and resist domination in social relations.⁴ Bourdieu's concern with capitals is to help explain the reproduction of social inequality and the maintenance of capitalist order through the accumulation of various capitals. However, economic and social capitals can readily be identified, more generally, as attributes of organizations. Cultural capital can also be identified at the organizational level, as the 'knowledge, practices, and goods' that are consecrated as rare and desirable by organizations and that play a role in their social reproduction (Rubtsova & Dowd, 2004).⁵ Importantly, it has been argued that cultural capital can be employed by organizations for status attainment (Lamont & Lareau, 1988).

In our study, economic and cultural capitals are important to defining positions and possibilities for various NGOs in society. Social capital is important as it enables organizations to build cultural capital and attract economic capital. Symbolic capital, as part of social capital, provides the basis for social position in a given society and is based on intersubjective reflections; it is in the 'eyes of the others'. The power to

⁴ Economic capital involves stocks of assets either physical or intangible, property, cash, shares and the like. Cultural capital involves three aspects. The first of these is habitus which is a lasting, generalized and transposable disposition to act in conformity with a (quasi) systematic view of the world and human existence (Bourdieu, 1987:126). It can involve deeply ingrained aspects such as race, ethnicity, gender that defines a person's character and way of thinking. The second is objectivization as in cultural articles (e.g. works of art), and the third, cultural institutions (e.g. certificates, diplomas). Social capital is seen to have two dimensions. First, it involves group membership and social networks such as voluntary associations, trade unions, political parties and the like. Second, it involves symbolic capital that provides differences between groups or classes that provides symbolic recognition and distinction.

⁵ Rubtsova & Dowd (2004) claim that Bourdieu's cultural capital can be extended to the organizational level. At this level, organizations can develop homogenous schemes of appreciation and action based on the production of specialized cultural knowledge and practices. Such knowledge and practices are valuable and distinctive and can therefore provide advantages and access to resources.

influence what constitutes cultural capital within a specific field is derived from symbolic capital.

The NGO sector can be seen as distinctive in that there has traditionally been an ethos of a 'sacrifice of selfish interests', a belief in a legitimate way of operating to achieve common social ends, even if this occurs in situations where different NGOs may have different degrees of recognition, power and influence (Lewis, 2007). Many NGOs see economic capital as a means to develop cultural capital, unlike more commercially-based organizations that employ cultural capital to maximize economic capital.⁶ This is not to say that individual NGOs are not selfishly interested in their continued existence and prosperity. Clearly, there is competition for resources and often client groups. However, because the driving forces for NGOs typically involve a social rather than a profit mission, there tends to be more engagement in collaborative effort to achieve common social outcomes. Also, there is a more subtle balance between the use of power derived from the possession of cultural, economic and social capital for individual advantage and the use of these capitals to advance overall social welfare.

The tension between cultural and economic capital in NGOs and the way in which cultural capital can be eroded by the dominance of economic capital, facilitated by accounting systems, is illustrated in a study by Oakes et al. (1998). In Oakes et al. (1998), formal planning and accounting systems, imposed by outsiders, were used to shift the focus away from cultural capital, based on historic and authentic ideals, to a much greater concern with economic capital. Using Bourdieu's concept of symbolic

⁶ While the basic conviction of many NGOs is to place cultural capital before economic capital, NGOs are not homogenous in this respect. There is a broad range of NGOs operating internationally and within countries, providing variation in scale, operations, fundamental ethos and beliefs. This generates variation in the emphasis and orientation towards cultural and economic capital. However, the tension between cultural and economic capital remains common to most NGOs, although how they are traded-off may well differ (Ebrahim, 2003).

violence, Oakes et al. (1998) showed how the planning systems had subtle, rather than explicit effects, whereby employees embraced the new ethos where economic capital became dominant, with the cost that the historically-based cultural capital lost much of its importance. In this context, social capital provides a way of examining how NGOs can manage the potential tension between cultural and economic capital to suit their purposes. In particular, we explore how the connections between MCS and social capital can help an NGO to resist the potential for symbolic violence arising from pressures to be more attentive to economic capital.

In the next sections we elaborate on the properties and outcomes of social capital, and then consider the way in which MCS and social capital may be connected. We conclude the literature review by noting the institutional background to our study where MCS are becoming increasingly important to NGOs as government funding agencies encourage them to embrace ideas of new public management.

The properties of social capital

Social capital relates to existing and emerging social infrastructures that facilitate individual and collective actions of many kinds (Foley & Edwards, 1999). In this study we consider social capital as a property of an organization, where individual and collective actions provide actual or potential benefits for organizations (Baker, 1990; Nahapiet & Ghoshal, 1998; Portes, 1998; Adler & Kwon, 2002).⁷ Social capital can substitute for other resources such as financial or human capital by

⁷ Social capital, as an organizational asset, is similar to the idea that intellectual capital is generated by the endeavours of individuals but resides at the organizational level (Sveiby, 1997). Sveiby (1997, p.10) sees employee competence, internal structures and external structures as generating the intangible assets of an organization. He notes it is impossible to conceive of an organization without people but as the people are voluntary members of an organization, their endeavours provide benefits for the organization.

providing strong network connections and social ties (Coleman, 1990), which is particularly important in the NGO context where financial capital can be limited.⁸

Scholars seeking to relate social capital to the achievement of desired outcomes by the integration of agents to best effect co-ordinated actions have elaborated the concept of social capital as having different facets, aspects and dimensions (Coleman, 1990; Schiff, 1992; Fukuyama, 1995; Brehm & Rahn, 1997). Consistent with a large body of research on social capital, we distinguish between bridging as a structural dimension of social capital, and bonding as a relational dimension of social capital (e.g., Granovetter, 1992; Gittel & Vidal, 1998; Nahapiet & Ghoshal, 1998; Woolcock, 1998; Putnam, 2000; Adler & Kwon, 2002).

The bridging and bonding dimensions of social capital help recognise that specific opportunities can arise from establishing networks of social ties between organizations, and that these networks can be effected by nurturing motivation within (and between) organizations through bonding (Lesser, 2000). By drawing on literature that examines the bridging and bonding dimensions of social capital and their potential outcomes (e.g. information, power and solidarity), we can focus on how MCS may enhance or damage social capital.

In overview, the bridging dimension of social capital concerns the quantum of ties and the structure of the network of the relations as a whole. Bonding refers to the quality of social ties in terms of the extent to which values are shared. While it is common to consider bonding as it exists *within* organizations (Adler & Kwon, 2002), it is also apparent that bonding can develop *between* organizations (Nahapiet &

⁸ Other non-physical assets have also been identified in accounting research as providing value. For example, intellectual capital is the knowledge and knowing capability of an organization that provide a source of value (Mouritsen, Larsen & Bukh, 2001). Human and social capital are sometimes confused. Human capital is the stock of skills and knowledge embodied in the ability to perform work so as to produce economic value (Widener, 2004). It is the skills and knowledge gained by a worker through education and experience. On the other hand, social capital provides value through the benefits that can be derived from both bonding and bridging (Adler & Kwon, 2002).

Ghoshal, 1998).⁹ Table 1 elaborates on the properties of the bridging and bonding dimensions of social capital.

[Insert Table 1 here]

Outcomes of social capital

Adler & Kwon (2002) note that organizational investments in social capital need to be guided by understanding the meaning of bridging and bonding and the different potential benefits and disadvantages from these dimensions. While we examine the possible influences of each dimension of social capital, we note that these dimensions act in combination, with bonding involving common norms and associability, and that action based on these values is carried out collectively through structural networks (Leana & Van Buren, 1999).

Table 1 outlines the potential beneficial outcomes and disadvantages of both bonding and bridging social capital. In summary, prior research indicates that the potential benefits of social capital include: greater access to and more sharing of quality information through bridging between networks (Burt, 1997; Hansen, 1999); increased power and authority, particularly when connecting parties in sparse (rather than dense) networks (Granovetter, 1973; 1983); and greater solidarity and cooperation through the sharing of social norms and beliefs (Adler & Kwon, 2002; Ouchi, 1980). While solidarity is most often related to social capital within

⁹ In our work we are interested in how bonding and bridging are exercised to achieve close interpersonal relationships and networks of value to the organization. This is somewhat analogous to the difference between the content of social capital and the processes involved in its generation (see Adam & Rončević, 2003, pp. 158-160, 164-167 for a discussion of the difference between types and functions of social capital). While the processes to effect social capital may be seen as an antecedent to the actual content of social capital, understanding the content is necessary to assess the evolving nature of the construct. In this sense process affects content and content affects process (Chenhall, 2005).

organizations, it may encourage organizational citizenship which spills over to external networks (Granovetter, 1983; Putnam, 1993).¹⁰

The disadvantages of social capital, however, may outweigh these benefits (Portes & Landolt, 1996; Gabbay & Leenders, 1999; Leana & Van Buren, 1999). The potential disadvantages of social capital include: its costs of development and maintenance, an inward focus leading to parochialism and inertia (Powell & Smith-Doerr 1994; Uzzi, 1997; Gargiulo & Bernassi, 1999), which may be overcome by using information and knowledge from networks outside the organization (Granovetter, 1983; Burt, 2002); and collective rivalry of network partners against each other, with each pursuing their own special interests at the expense of the broader network (Foley & Edwards, 1996; Gabbay & Zuckerman, 1998). As Adler & Kwon (2002, p. 31) note: ‘There is no invisible hand that assures that the use of social capital resources in competition among actors will generate an optimal outcome for the broader aggregate’.

Linking MCS to social capital

While our investigation was not constrained by a focus on any particular MCS framework, it is apparent from the MCS literature that the notion of formal and

¹⁰ An issue related to solidarity is the relationship between social capital and trust. For some commentators social capital is a means whereby trust can be developed to enhance solidarity (Krackhardt & Hanson, 1993). However, the role of trust can be ambiguous and can obfuscate the potential benefits of social capital on solidarity. Free (2008) notes that trust is not the only antecedent to cooperation. Certainly within the social capital literature solidarity from bonding can involve many sources including motivation derived from a willingness to define and enact collective goals (Leana & Van Buren, 1999), and generalized reciprocity. There is also the danger of overrating the benefits of trust. Free (2008) notes that power can be disguised behind a facade of trust, and then used to promote vested interests and exploit weaker partners. He notes the idea of ‘cheap talk’ that concerns exaggerating the benefits of trust with the intent to use trust as a strategic resource and to use this opportunistically. Free (2008, p. 649) prefers to define trust in terms of ‘accommodative intentions’, ‘reliability’ and ‘commitment’. This idea seems consistent with generalized reciprocity and avoids the use of trust as a discursive resource. For these reasons we do not emphasize the role of trust in the study of social capital.

informal controls provides a basis to elaborate on classifications of controls (Hopwood, 1972; Merchant, 1981; Simons, 1995; Chenhall & Morris, 1995; Ahrens & Chapman, 2004). Combining formal and informal controls has been important in understanding how MCS can be designed and implemented and their effects on organizational outcomes (Simons, 1995; Chenhall & Morris, 1995; Ahrens & Chapman, 2004)¹¹, including, in our study, the potential effects of MCS on the study of social capital.

We first discuss the meaning of three taxonomies of MCS that have elaborated on both formal and informal aspects of controls. These are organic and formal controls (Chenhall & Morris, 1995), the levers of control framework (Simons, 1995), and enabling and coercive controls (Adler & Borys, 1996; Ahrens & Chapman, 2004). Table 2 provides a summary of the links to and possible tensions between the controls and social capital. We use these classification schemes, separately and in combination, to examine the connections between MCS and social capital.

Formal controls have been distinguished from informal or organic controls in the organizational (Burns and Stalker, 1961; Mintzberg & Waters, 1985) and accounting literatures (Chenhall & Morris, 1995; Merchant and Van der Stede, 2007). Organic controls are based on informal processes, a free flow of information throughout the organization, and flexibility to encourage adaptive decision making and to foster interactions within the organization (Simons, 1995; Chenhall & Morris, 1995; Davila et al., 2009). In contrast, formal controls are deliberately articulated practices and include formal planning systems such as budgets and control mechanisms such as variance analysis against standard costs (Simons, 1995; Davila et al., 2009). Although organic controls have been the customary form of controls in

¹¹ As discussed in this section, we distinguish formal controls as deliberately articulated practices that relate to formal planning and control from organic controls that relate to informal processes, loose structures and open communication (Chenhall & Morris, 1995).

NGOs, formal controls have been introduced to provide a more business-like approach to acquiring and managing resources (Lewis, 2007).

Simons (1995) elaborates on aspects of formal controls within his levers of control framework. He identifies belief and boundary systems which can be used to articulate and advertise the aims of the organization. MCS based on formal controls are divided into diagnostic and interactive control systems. Diagnostic control systems are formal practices that measure and monitor outcomes and guide corrective action, and are used as levers in implementing intended strategy (p. 63) and providing guidance to employees to work towards agreed goals (p. 70).¹² In Simons' (1995) work, the role of interactive control systems occupies a higher level of attention in terms of how they are used. Simons distinguishes interactive control systems as the way managers use formal practices to involve themselves regularly and personally in the decision activities of subordinates by way of face to face meetings (p. 95). Additionally, the formal practices are used to motivate information gathering outside routine channels to help identify strategic uncertainties and emerging strategies (p. 96).

Notwithstanding a more interactive use of formal controls, these can be embedded within a bureaucratic approach to control. Adler & Borys (1996) elaborate on how formal controls positioned with bureaucratic structures can assist in providing more flexible adaptive control cultures, consistent with organic controls, when they are designed and implemented with enabling rather than coercive capabilities. Ahrens & Chapman (2004) employed the notions of enabling and coercive controls to show

¹² Diagnostic use of formal controls is a somewhat elaborated idea of Simons' original diagnostic control systems that we employ in our study as it assists in understanding the processes involved in employing MCS practices at the operational level. Particularly, we investigate how diagnostic use of formal controls involves communicating and educating employees about proposed goals and targets, assessing how operations are performing against plans (financial and non-financial), and in motivating deliberation at the operational level on how variances may be addressed.

how MCS that had enabling features helped put employees in a restaurant chain into a position whereby they could deal directly with the contingencies of their work situation. To help achieve this, the design characteristics of the MCS were that they enabled employees to repair local situations, and that they had internal transparency, global transparency, and flexibility. We see the taxonomies of the levers of control and enabling and coercive controls as complementary as Adler & Borys (1996) elaborate on how formal controls (such as interactive control systems) positioned within bureaucratic structures can assist in providing more flexible and adaptive controls in cultures that may be consistent with organic controls, but only when they are designed and implemented with enabling capabilities.

In Table 2 we describe and distinguish the three taxonomies of MCS, each rooted in the distinction between relative formality and informality. We relate these taxonomies to the context of NGOs, indicate potential links to social capital and highlight possible tensions between control elements as they concern the development of social capital. These three taxonomies illuminate how the application of MCS can help or hinder the development of social capital. While we have identified the separate potential effects of various aspects of management controls, we acknowledge that different controls can operate collectively (Widener, 2007).

[Insert Table 2 here]

Institutional context: The drive for new public management and the NGO

The pressure to adopt MCS in the public sector has in many Western countries, including Australia, been embraced within ideas of ‘new public management’ (NPM). This approach was introduced by the State governments of

Australia as part of reform programs that accompanied changes in government in the 1990s. Other aspects of the reforms included a reduction in the budgetary requirements, downsizing the public services, privatizing the government operations and deregulating private economic enterprises (Aucoin, 1990). NPM aims to move public sector organizations towards a managerialist philosophy with implicit values of economic rationalism (Guthrie, Olson & Humphrey, 1999; Jones, Guthrie & Steane, 2001). It has been claimed this may damage the long-term sustainability of public-sector organizations (Guthrie, Cuganesan & Boedker, 2005).

The Australian NGO sector is heavily reliant on government funding for its continued operations, and thus is subject to these government pressures for increased accountability and formal reporting. In the State in which our study is located, the implementation of NPM reforms and the transition towards managerialist models invoked the use of more formal control systems, including a shift towards the application of formal accounting and reporting techniques (Guthrie, Carlin & Yongvanich, 2004). With the advent of NPM, professionals and managers in social welfare have been subjected to quantitative performance indicators, often expressed in accounting terms (English, Guthrie & Parker, 2005). This has introduced practices contrary to customary approaches in social welfare departments where qualitative assessment had been the norm.¹³

Within this context, our paper is complementary and contributes to the literature that has examined resistance from public sector employees (professionals) to the introduction of financial controls (bureaucratic approaches) that is part of the push

¹³ Changes in NGOs from traditional to business-like values have resonance to studies of cultural change. Several studies have shown the influence of accounting to help effect this change in culture (Ezzamel & Bourn, 1990; Dent, 1991; Blomgren, 2003; Kurunmäki, 2004; Mueller & Carter, 2007). What these studies don't explicitly consider is the "spillover" effect of these changes in culture to relationships external to the organization. Our case adds to these insights by demonstrating how management controls influence reactions to cultural change, within the organization and externally.

for NPM (Dent & Whitehead, 2002). We explore how NGOs react to attempts to introduce the new logic of financial controls, and show how social capital is central to understanding the responses of NGOs. By studying social capital much can be learned about the benefits and pitfalls to the operations of NGOs of using the new financial logic.¹⁴

Design and Research Method

Research site selection

We selected an NGO as our research site due to the importance of social capital to such organizations (Lewis, 2007), thus providing an appropriate setting to explore the dynamics of the relationship between social capital and MCS. The field study was undertaken within Carewell, a welfare agency founded in 1977 that operates in a major Australian city.¹⁵ The focus of our empirical analysis is the Tennant Centre, the largest and most established of Carewell's divisions. The field research was conducted over a 12-month period from July 2007 to June 2008. Over the 12 months, we conducted 16 in-depth interviews with 12 key personnel spanning across all levels of the organizational structure, with further details provided in Table 3. Additionally, we had regular contact with Tennant's manager and administrative officer and more focused follow-up discussions with Carewell's CEO and the Business Director.¹⁶ Given the

¹⁴ The pressure from government to coerce NGOs to adopt MCS as part of NPM has also been addressed within institutional theory (see for example, DiMaggio & Powell, 1983, 1991; Covaleski & Dirsmith, 1988; Covaleski, Dirsmith, & Michelman, 1993). Critiques of institutional theory propose that while accounting practices may be adopted for legitimization they may also assist managers in reacting strategically to select, purposefully, management systems to achieve their organization's goals (Covaleski & Dirsmith, 1988; Powell, 1991; Scott, 1995). Moreover, it can be argued that institutional theory does not fully capture the nature of social ties in organizations' responses to institutional forces. Social capital enriches institutional theory by explicitly considering the nature of these ties.

¹⁵ The identities of individuals within the organization, and of the organization itself, have been disguised to preserve anonymity in accordance with our agreement with the organization.

¹⁶ On average over the twelve month period we had contact with the Tennant administrator fortnightly, the Tennant manager bi-monthly, and Carewell staff monthly. This involved less formal unscripted interactions, usually involving face-to-face contact but in some instances telephone conversations.

relatively small size of the organization, this provided the opportunity to gain a wide cross-section of opinion at both managerial and operational levels.

[Insert Table 3 here]

While interviews were relatively unstructured, an initial interview protocol was developed to ensure that evidence would be collected on participants' views related to their values, the work situation both within the organization and with others external to the entity, and their experiences and opinions on the MCS. Interviewees were allowed to freely explore issues that they believed were important. Interviews were digitally-recorded and transcribed. Where this was not permitted we took detailed notes during the interview that we wrote up on the same day. Each formal interview ran for approximately 75 minutes, although informal follow-up conversations involved many more hours of contact. At least two researchers were present at all interviews to enhance data reliability and to maintain continuity with our contacts at the research sites. It is claimed that multiple investigators improve the creative potential of the study and build confidence in the findings (Pettigrew, 1988).

We supplemented data from interviews and informal conversations with e-mail correspondence and extensive archival records (including access to internal MCS documents covering budgets, performance measurement documents, reports related to program performance evaluation, program management systems, Carewell's code of conduct and mission statements, publicity material, and government reporting requirements). Additionally, we examined publicly-available data including information from the organization's website, other promotional material and evidence from secondary sources including newspaper articles and other media information.

During our visits to the organization we were able to directly observe facilities, working conditions and, to a limited extent, the way in which those interviewed conducted their work. Due to the sensitive nature of Tennant's work with clients and ethics related to confidentiality, our research was constrained to passive observation. However, we were involved in informal interactions with employees during their breaks and leisure time where we were party to off-the-record nuances and general feelings about ongoing changes. Also, during our visits we often observed work-in-action as problems, emergencies and crises were presented for action. Usually, observation of these events and discussion with key personnel after the events helped us understand the culture of work within the organization.

In an effort to provide an external perspective to our enquiry we contacted a number of other organizations, which included State Government Departments of Health and Justice, local health care agencies who had contact with Tennant, and other NGOs working in areas similar to Tennant. We also obtained information on Tennant's reputation from six individuals who had been involved with alliance partners, particularly in the local health area. In addition, we spoke with individuals from locally-based philanthropic associations, researchers on NGOs within a Centre for Health Economics, and others researching NGOs within several different university faculties.

Consistent with Ahrens & Chapman (2004) and Free (2007), we employed Eisenhardt's (1989) methods to conduct case research. This involved arranging the data chronologically and identifying common themes and unique insights and also areas of disagreement. We also used archival records, particularly mission statements, program documentation and internal MCS documents, to elaborate and refine our understanding of important issues that arose in interview discussions. We then re-organized the original transcripts around key events and issues; and compared emerging findings from

our study with existing research. Emerging findings and themes were noted, particularly for further discussion and clarification as part of our follow-up interviews with senior managers and a number of operational employees.

Overview of the organization

Carewell has approximately 120 staff located across three divisions (the Tennant Centre, Options, and Opportunities) which work to build a just society by advocating for social change and promoting the health and wellbeing of disadvantaged young people, families and communities. Figure 1 outlines Carewell's organizational structure. The three divisions, Options, Opportunities and Tennant provide services to different client groups, while Carewell provides administrative services, strategic direction and manages funding. The Options division provides counselling services and other forms of social support to young people suffering from mental health and drug-related issues. The Opportunities division is responsible for the operation of a long-term program for disadvantaged young people focused on skill development, education and secure employment.

The focus of our empirical analysis is the Tennant Centre, the largest and most established of Carewell's divisions. Tennant cares for people from disadvantaged backgrounds, many of whom have had dealings with the justice system or have been otherwise marginalized. Its sponsoring organization is Carewell, which is affiliated with a large philanthropic organization. While Carewell is the central agency for the collection of funds, Tennant is also active in attracting funding for its programs. Tennant comprises 42 paid staff, including a manager, an administrative staff of four, five program co-ordinators, and 32 case workers. Tennant also interrelates with a wide

variety of service providers that offer employment opportunities, and housing, medical, psychological and social services. Operational decisions are delegated to Tennant.

Examination of documents and discussions with accounting personnel and managers revealed that Tennant has its own work-based control system designed to plan and monitor client treatments, often being based on professional issues concerning social work and psychology. Budgets are developed at Carewell with an administrative employee possessing accounting skills located within Tennant. The financial accounting system allows costs to be traced to different segments of the organization and has the capacity to deal with fixed and variable costing. It is quite sophisticated but is not seen as user-friendly at the operational level. Tennant's program manager and Carewell's directors indicated that Tennant has a major role in developing strategic initiatives; however, financial concerns are dealt mainly by Carewell.

Tennant's external network comprises existing and potential clients, agencies that provide services, other welfare agencies with which Tennant is competitive for funding and new programs (some of these agencies become partners in joint programs), and government departments that are involved in managing the welfare and justice sectors and provide funding for new initiatives.

[Insert Figure 1 here]

Case study findings

We organize the case findings around the major themes of our investigation. First, we use Bourdieu (1986) to help position our study of social capital and MCS at Tennant in a setting where there is increasing tension between efforts to preserve cultural capital while attracting and managing economic capital. We then consider how formal controls both assisted and hindered developing social capital, using notions of

bonding and bridging, highlighting issues related to interactive use of formal controls and enabling characteristics. Next we identify the important role of belief systems in supporting bonding social capital, while at the same time limiting the development of bridging social capital. The final section shows how Tennant was able to use formal controls to assist in brokering alliances and bridging structural holes to help preserve its cultural capital.

Emerging tensions between cultural and economic capital

A primary concern underlying our study is the tension faced by NGOs as they attract economic capital while attempting to preserve their cultural capital. Tennant's history and identity had provided it with strong cultural capital related to social welfare (Bourdieu, 1986). The building of this cultural capital was reinforced by employees' beliefs in Tennant's role and from a sense of common purpose based on the ideals of providing welfare services for marginalized people. A Carewell manager explained:

“The type of people who come to work here are interested in providing service to the community...pay levels in the sector are not high...employees dedicated to these ends are attracted to the organization ...that's what generates commitment.”

Within the sector, Tennant was also perceived as an effective service provider and a leader in social welfare. While all participants in the study were proud of the high standards of professional service delivery, our discussions with managers of external agencies confirmed that Tennant's work was regarded highly in its sector. As a consequence of these subjective reflections both within and outside the organization, Tennant's symbolic capital was based on a perception of excellence in delivering social welfare. Other forces related to managing resources efficiently, typically

derived from funding agencies and government, had not in the past occupied a dominant position. Tennant had not been open to ideas on accounting control to assist in the efficient use of resources as there had been no ‘division of the work of domination’, or any apparent tension between those preserving cultural ideals and those who might perpetuate objectives of economic capital (Bourdieu & Wacquant, 1992).

In its current context, however, Tennant, like many NGOs, is faced with increased competition to attract economic capital to support its welfare programs. In particular, the intersection of several features of Tennant’s operational environment has recently created increased tension between cultural and economic capital. These features are the drive for new public management (NPM), changes in funding arrangements, and the nature of service delivery in the welfare sector with government increasingly subcontracting welfare services to NGOs.

Senior management at both Carewell and Tennant stressed that funding is an on-going concern. Sources of funds are donations from the public, bequests, and primarily government support for specific programs often undertaken jointly with other agencies. Carewell’s directors explained that a unique source of funds has been a foundation from stakeholders linked to Carewell. These funds have been employed historically to cover shortfalls and act as a buffer to potential financial distress caused by budget overruns. However, in recent years, Carewell has instructed its divisions, including Tennant, that they can no longer rely on these funds to cover deficits, meaning that divisions are now struggling to find sufficient funds to ensure that all of their programs can continue.

Tennant’s service delivery model involves connecting clients with other agencies that provide housing, employment, medical and social services. Managing these connections is critical as no one agency can adequately meet all the needs

identified for program participants. Collaboration involves advocacy for Tennant's clients and advising and educating other agencies in how best to provide services. Tennant's manager noted that concentrated effort related to other agencies is important to ensure co-ordination and accessibility to services where resources are limited and participants are easily diverted. Additionally, Tennant often works with other agencies to submit to government joint proposals for program funding. One senior Carewell manager described the sector as follows:

“Oh it's a pretty competitive sector. So on the one level there's very much a 'let's work together' [ethos]; but on another level, the way government rolls out its funding causes competition with each other for scarce resources and dollars... You have some wins and losses and sometimes you're not quite sure what drove the decision being made and, you know, there's politics everywhere you go. In most organizations in the sector we work in, it is very personality driven, they're very much about who knows who, what's the reputation of an organization - and you know a lot of organizations are smallish so people tend to know each other. So I think there's a level of competition but a level of goodwill and they kind of sit in tension beside each other.”

Additionally, interacting with government has become increasingly important as official agencies seek to identify key welfare agencies to deliver services. Government is attempting to develop co-ordinated programs and rationalize resources. Tennant's manager noted favourable outcomes from these interactions:

“Given our expertise in our sector we are in the process of negotiating with a government agency on how to improve the delivery of services by rationalizing on the basis of community/region-based approach to care. This will provide advantage to Tennant but will involve reorganization and possibly disadvantage some other agencies.”

Within this environment, attracting economic resources requires Tennant to demonstrate to funding agencies and government its ability to deliver services effectively and efficiently. In the NPM context, this has generated a need to employ planning systems related to operations, and control mechanisms to ensure that action is consistent with plans and that governance is maintained. In the past, Tennant's

continued existence had been dependent largely on developing its cultural capital, which had enabled it to establish a strong reputation and link its clients successfully with other agencies. Its survival now depends on developing and managing both cultural and economic capital. As noted by Bourdieu (1986), these forms of capital may be in tension when efforts to attract economic capital are pursued in ways that diminish cultural capital.

Resistance to symbolic violence at Tennant. At Tennant we see echoes of the role of symbolic violence exerted by economic capital over cultural capital, in Bourdieu's terms (Oakes et al. 1998). However, arguably, at Tennant, we observe a situation of resistance to the potential circuitous incursion of symbolic violence. Symbolic capital was squarely associated with the social welfare values that defined Tennant's cultural capital and close bonding was part of this orientation. Tennant does not see itself in the business of earning a monetary return. The aim is to generate adequate economic capital to maintain cultural capital. We observed Tennant using cultural capital to support their submissions for funding, for example, emphasizing its dedication to humanitarian values to establish a dominant position in the bidding process for government contracts. In this way, Tennant used its cultural capital to attract economic capital, but in a balanced way whereby its cultural capital would not be compromised. As such, when there is talk about trade-offs between cultural and economic capital, cultural capital wins out. Importantly, when seeking funds or contracts, it is cultural capital that is promoted, albeit within a proposal that indicates necessary responsible outcomes and financial management.

While welfare values are dominant at Tennant, inevitably economic concerns impact on Tennant's ability to maintain its cultural capital. While the dominant focus of cultural capital concerns values of delivering welfare services, not all deserving

causes can be serviced in situations of constrained funding. Employing a rational approach to welfare delivery involves some form of formal or informal cost-benefit analysis to decide on which clients to service. This intrusion of economic rationality inevitably involves not undertaking some worthy but expensive causes. If these 'causes' to be neglected are part of the targeted welfare group, cultural capital can be damaged and the organization risks losing its identity. Clearly, a solution is to develop internal values that are more embracing of economic concerns. This may convince Tennant's employees that the long term social interests of Tennant, and likely their own work, will be preserved by managing more efficiently while delivering on core values. This may occur, however it remains a challenge and it is not clear that this will ever be entirely successful, particularly in NGOs (Kurunmäki, 2009).

The interplay between formal management control systems and social capital

At Tennant the customary forms of control included informal meetings between case workers and co-ordinators, open channels of communication, ease of informal access to the Tennant manager, consensus and participative decision making, tolerance of mistakes and consequent learning and sharing of lessons, and sharing of information between employees, particularly over client treatments. These practices were not based on formal processes, but are more aptly described as organic decision and communication processes (Chenhall & Morris, 1995).

These organic controls appeared to have been consistent with, and supportive of, bonding within Tennant. It is within this customary form of control that more formal controls were implemented. Our data indicate that formal program management systems were employed in ways that were not in conflict with these

organic controls. In this section we report on how program management systems were used interactively and the controls had enabling characteristics. However, efforts to employ other formal controls such as budgets and performance measurement interactively were problematic and damaged bonding social capital, partly as they were employed in a coercive way.

Program management systems. The program management system provides a particularly helpful illustration of how the interactive use of formal controls can be consistent with customary organic controls where they are employed in enabling ways. Arguably, this enhanced the potential for the program management system to help internal bonding and external bridging social capital.

Program management systems were part of operational management and were important in clarifying desired welfare outcomes and in sharing information about clients to improve treatment and administrative processes associated with these treatments. These systems involved both scheduled formal meetings but also impromptu gatherings and discussions, more consistent with the customary background organic processes at Tennant. The characteristics of these controls were consistent with an enabling approach. The systems were highly transparent, flexible and provided details of interdependences between specific programs and other parts of Tennant's operations. Case workers indicated that these systems were critical in clarifying and communicating Tennant's purpose across the organization, in client selection and in monitoring client treatment. The information provided by the program management systems included confidential, privileged client information to be used only within the organization. Access to this type of privileged information enhances bonding and feelings of solidarity (Fields, Copp & Kleinman, 2008, p. 168).

Our evidence suggests that these systems were well received. A Carewell director commented:

“We use formal procedures for ‘assessment and engagement’ of clients...quantitative measures are used as part of case notes that are used to assess how individuals and teams are achieving planned treatment outcomes. These are seen as an effective part of operational employees’ work.”

Furthermore, the program management system provided employees with opportunities to identify strategic uncertainties and discuss solutions. For example, a case worker noted that discussions within a program management session identified the impact of operational policies on employment needs of clients and the unintended outcome of a need for more efficient transport. This motivated discussion of the strategic issues of how to optimally use existing transport (routing) and the relative benefits of a new vehicle. Program management is particularly pertinent to generating bonding in NGOs where planning and monitoring of client treatments and behaviours match closely with the client’s wellbeing and even survival.

In addition to enhancing internal bonding, program budgeting has potential to promote external bonding across networks with agencies that share common values. Sharing common values might be expected to lead to bonding between agencies and consequent outcomes of alliance solidarity and information sharing. We observed instances where individuals employed by different alliance partners had experienced close personal bonding based on professional experiences outside their respective organizations. However, this was not translated into inter-organizational bonding.

While wanting to ensure organizational co-operation, some distance was maintained to reduce the chances of alliance partners pressuring Tennant to change their preferred way of delivering services. This could compromise Tennant’s cultural capital. In plain terms, while alliance partners all share broad welfare goals, Tennant

did not want to get too close to, and bond with, its alliance partners. The advantages of the formality of the program management system and the quantification of program expectations were to bridging, rather than external bonding, by providing a means by which structural connections between alliance partners could be rendered more 'objective' and 'trustworthy' (Free, 2007, p. 5).

While program management illustrated a reluctance to engage in external bonding, the systems were associated with bridging alliance contacts in ways to help preserve Tennant's cultural capital. Program management systems as applied to proposed new contracts provided a way that Tennant could use the veil of formality to identify and access potential partners and then broker alliances in ways that could promote Tennant's specific core values and operational methods. In bidding for a new contract, a program would be instigated with detailed information on Tennant's credentials and expertise in providing service delivery, as well as time-lines, financial budgets, performance measures and the potential roles of selected partners. This would form the basis for negotiations with potential partners and if the final project details were acceptable to Tennant it would then form the basis for a formal proposal to be submitted to funding agencies or government. Here we observed the way program management and bridging social capital worked in tandem to enhance Tennant's power and authority in establishing alliances. We return to the use of formal MCS to assist Tennant develop alliances in ways to preserve its cultural capital later in the paper.

Budgets and performance measurement. To attract funding and acquire government contracts Tennant recognizes that it must be perceived as capable of operating in a business-like manner, of being economically literate and competent. Budgets and performance measurement systems have been introduced recently in an

interactive way. This involved face-to-face interactions at formal meetings where it was intended to discuss plans, flag concerns and identify emerging issues related to both financial and operational issues. These initiatives have not been successful and had potential to seriously erode internal bonding social capital.

As we have indicated, at Tennant, effectiveness in service delivery has been at the core of building and preserving cultural capital. Acquiring and managing economic capital, while not ignored, were secondary and did not occupy the attention of operational managers. During our study we observed that this was particularly apparent where, despite recent efforts, program co-ordinators had limited understanding of financial matters and the budget position. A Tennant employee noted:

“People who are co-ordinators never see these financial statements...and yet they’re the ones that authorise the spending, so how do they know how much they can authorise?”

A Tennant program co-ordinator commented:

“At the moment I wouldn’t know what over budget is”.

In order to attract economic capital Tennant has attempted to promote an image of efficiency and cost consciousness among its employees. A Carewell director indicated that government’s desire for increased accountability has led Carewell to recognize a need to push financial accountability down to the co-ordinator level. It is here that we see evidence of a clash between pressures to be financially accountable and the belief that this distracts from the core activities of providing welfare services. In fact, apart from the program management system, formal reporting and management systems are generally viewed as an impediment to spending time and effort on clients. A Tennant co-ordinator noted:

“A lot of the more stringent reporting-type stuff actually does very quickly feel irrelevant, or can do quite quickly. You can be sitting doing something you need to get to (e.g. reporting on budgets), but someone will come in quite drug-affected, throwing a chair around, and all of a sudden you step into another role, and, obviously if someone is feeling unsafe or something like that’s going on, you have to get to that as well.”

While it is not uncommon to see such resistance in many organizations undergoing pressure to move from traditional to more business-like cultures, there was a view at Tennant that it was unrealistic to expect co-ordinators to have budget responsibility and to develop cost-consciousness. One Carewell staff member noted:

“We cannot make accountants out of social workers. That wouldn’t be fair to them...It depends on the individual. Some of them are really into financial things and they actually know what they are talking about, and they know their costs, their expenditure, their funding, but some of them [would say], “I am a social worker. I look after Matt, and I look after John, and as long as I produce that, the rest I am not so interested in.”

The potential damage to bonding from using budgets to increase financial accountability was evident in a confrontation between Carewell and Tennant. Rather than form a basis for monitoring the financial performance of programs, providing budget information to program co-ordinators has led to a breakdown of bonding between Tennant and Carewell, with Tennant questioning Carewell’s commitment to its operations. Tennant’s manager argued that deficits reported for their programs would have been surpluses if cost allocations from Carewell were excluded.

A Tennant employee noted:

“They’re [Carewell] starting to drive home the message that they are not going to keep accepting the deficit...I don’t know if they realise what a risky thing it is for them to do that, because immediately people are going to say the way we can balance it is not to give Carewell any money – they [Carewell] are on their way to endangering the golden goose.”

It is pertinent that the budget information did not include details that we would describe as enabling and thus more informed debate was inhibited. The budgets did not provide information that might have helped discussions on how tensions between Carewell and Tennant could be repaired. While there were face-to-face interactions on budgets, the budgets did not have sufficient transparency to highlight ways that budget constraints affected operations. The broader picture of the local implications of budget cuts on programs or of the role of organization-wide overheads were not disclosed. The controls were not flexible in decisions linking financial and operational issues. It is possible that more attention to enabling features and processes would ensure that budgets contained more information and would engage employees more with the design and implementation of the controls. This could then be used for productive interactions and be more consistent with the customary organic controls.

These findings provide a parallel with recent accounting research focusing on hybridization as organizations move from more professional modes to managerial approaches of doing business (see for example, Blomgren, 2003; Kurunmäki, 2004; 2009; Jacobs, 2005; Mueller & Carter, 2007). For example, Kurunmäki (2004) found evidence that faced with NPM reforms in Finland, doctors sought to embrace management accounting concepts, in a sense becoming “hybridized”. In contrast, we saw little evidence of hybridization at Carewell, with program co-ordinators, in general, being unwilling to embrace management accounting issues.

Notwithstanding these negative attitudes to financial controls at Tennant, it can be argued that inevitably the organization’s survival will depend on gaining a balance between work processes that can deliver effectively on social welfare and the economic resources to sustain this. Efforts to ensure the alignment of employee and

organizational values include recruitment, socializing, training, retrenchment and other methods of dismissal of unsuited individuals. In the NGO sector, recruitment is not easy with salaries at the bottom end of the social worker, health care and administrative ranges. Also, selection is made even more difficult as the NGO will not employ staff who do not present with values consistent with the core ideals of social justice. The pool of potentially 'ideal' employees with a breadth of operational and financial skills is thin and there is reluctance to remove individuals competent at social work but who find it difficult to accommodate financial management practices. Simons (1995, p. 134) notes that, typically, it is neither feasible nor desirable to replace the existing workforce; rather, he suggests, that belief systems can be used to create emerging agendas.

The effects of belief systems on bonding and bridging social capital

The application of formal financial control practices to enable Tennant to attract and manage economic capital had unintended effects of inhibiting bonding, threatening the cultural capital which has been crucial to ensuring Tennant's survival. This is an example of how the content of a MCS negatively affects bonding because employees lacked identification with the aims underscoring the new formal systems. The issue of ensuring that particular values of the NGO can be sustained is not restricted to addressing incompatibilities between financial and service delivery concerns. More generally, NGOs face situations where core values related to welfare service delivery can be potentially compromised from sources both within and outside the NGO. This raises the general issue of how MCS can be employed to reinforce adherence to core organizational values.

Simons' (1995) belief and boundary systems have been articulated as a way of using formal controls to clarify and communicate values. Like many other

organizations, Tennant employed belief systems to communicate core values to potential employees during recruitment, and to reinforce these values to existing employees and to others outside the organization. This involved an array of emblems including formal documents and posters, photographs, statues and paintings of Tennant's patron in the main offices. At Tennant, the mission statement is displayed and publicized widely:

“The Tennant Centre aims to deliver quality programs in a manner that reflects the social justice principles of participation, equity, access and respect for individuals who seek the services of the Centre. The Agency and its staff are committed to the underlying value and dignity of every human life.”

Some argue that belief systems can add most value when used actively to influence employee behaviour in specific situations (Dowling, 2001; Mullane, 2002; Mundy, 2009). We observed belief systems in action to help manage a potential dilemma common within welfare agencies. This involves an inherent tension between a case worker's values and those of the organization. In NGOs that deliver welfare services, such as Tennant, some clients present with backgrounds that involve anti-social behaviour of an extreme kind. This can create tension and stress for case workers as they align their professional work with their personal aversion for the individual's prior behaviour (Clark, 2006). While professional training can prepare case workers for this challenge, many still find it difficult to manage clients who they perceive as insupportable (Balloch, Pahl & McLean, 1998). Disagreements on these issues, both between case workers, and between case workers and supervisors, have potential to erode bonding. It is not unusual for case workers to resign from their workplace due to an inability to resolve this stress. Clark (2006) notes that resolution of this conflict cannot rely on the dictums of professionalism and suppression of individual feelings; rather, values need to be continually revisited and reaffirmed.

It is here that we observed the application of Tennant's belief systems to provide a focus whereby troubled case workers could discuss and come to terms with Tennant's aim to provide welfare to all individuals in need. At Tennant there is much discussion about the 'dignity of the individual' including those with malevolent backgrounds, which is made explicit within belief systems. Employing belief systems to work through the conflict between employee values and those of Tennant enhanced bonding.¹⁷

Dominant belief systems appear to circumvent the need for boundary controls at Tennant. Carewell has developed a 40-point Code of Conduct which has to be signed off by all staff and volunteers upon entry to the organization. However, this document does not appear to have high visibility within the organization, with some experienced co-ordinators claiming that they were not aware of its specific contents. Tennant's manager indicated that the imposition of a code of ethics by the organization is not necessary because many employees are subject to professional codes of ethics. This type of professional control further ameliorated the role of Tennant's boundary conditions. An experienced program co-ordinator echoed the comments of many employees in saying:

"I have been working here for many years and yes, I am aware that there is a code of ethics but have never seen it."

Our observations suggest that it is bonding, supported by belief systems, that has helped Tennant to gain commitment and solidarity from its employees to work towards effective service provision. Although belief systems are important in developing bonding among Tennant employees, we also observed that the

¹⁷ Clark (2006) notes that this process is bound to be uncertain, shifting and hazardous. However, employing belief systems to assist in these processes does make case workers' and the organization's positions more intelligible, if not always completely comfortable.

development of such strong relationships can inhibit the bridging aspect of social capital by restricting and limiting engagement with partners and other service providers. As noted earlier, bridging external networks involving clients and other agencies is particularly important to Tennant.

Despite the importance of collaboration, considerable tension existed within Tennant surrounding partnerships and the need to protect their values and operational methods. In response to the issue of how much of a priority it should be for Tennant to share values with partner organizations, a Tennant program coordinator noted:

“It’s [sharing values with partner organizations] not, and I don’t know that it ever should be. I actually don’t know that it should be – and I mean to use the word ‘should’, because I think it’s key for us to retain our own identity.”

Although managers recognized that partnerships are critical, particularly in light of strong government pressure to form such alliances, maintaining Tennant’s identity and values within such partnerships was the overriding concern. A program coordinator noted:

“I’m very involved in one particular new partnership with some other partner agencies (other NGOs) and it’s quite clear to me that we run the risk in partnership of losing what we stand for, and what we’ve always done. We find ourselves in partnership almost having to apologize for the things that we need to hang on to and the things that define us and give us our identity. And it’s a really difficult position to be in, because you feel like you’re not necessarily bettering the prospects of the partnership but you’re standing up for what you represent within it, so it’s a conflict.”

While belief systems are important in communicating and strengthening specific social justice values that help to develop and sustain bonding within Tennant, the strength of these systems and the resulting effects on internal solidarity is the very thing that appears likely to potentially limit the formation and development of strong alliances and partnerships with other key entities in the welfare sector. However, as described below, belief systems, together with other formal controls, have a key role

in structuring external networks to ensure the preservation of the NGO's cultural capital.

The use of management control systems to broker alliances and sustain cultural capital

An important aspect of Tennant's efforts to attract economic capital is to develop alliances to apply for Government contracts. This is important given government's active role in encouraging agencies in the sector to form such alliances to deliver programs. Critical to this has been Tennant's strategy to structure alliances in such a way as to enable Tennant to gain power and influence and thus maintain its cultural capital. That is, Tennant aims to develop alliances that allow its values and operational methods to play a prominent role, limiting potential clashes with the values and operational methods of other organizations.

Manoeuvring within networks to achieve power and authority by brokering alliances requires the identification of potential partners, and then promotion to convince partners and Government of Tennant's dominant capabilities and management skills. Identifying potential partners to ensure Tennant's dominant position within the alliance involved scanning the environment to identify alliance partners with which Tennant has had prior favourable experience, but where the partners have had limited formal connections with each other. This has been described as a sparse network (Granovetter, 1983; Burt, 1992). Consequently, Tennant has the potential to derive significant power and influence through brokering relationships within structural holes (Burt, 2005), that is, by establishing connections between organizations not otherwise strongly connected.

Tennant's manager and a Carewell director both indicated that Tennant has been successful in using its reputation and connections with government to influence

both government and other entities in the network, enabling it to broker relationships in ways that Tennant views as being most conducive to service provision. Tennant's manager illustrated this process:

“We are stepping forward and asking to be the lead agency in each of the regions...That in part relies on a couple of things. One is the social capital we have within this organization to talk to other agencies about who we are, what it is we provide and why it would be reasonable to think of ourselves as a lead agency...We approach organizations that we think are going to be complementary and they're usually around training and education and housing, the things we do ...We have worked with all of them before. They haven't necessarily worked with each other.”

Concerning the use of MCS to assist brokering alliances we identified belief systems as important in clarifying and maintaining Tennant's profile to external agencies. Further, formal controls based around project management, budgets and performance measurement were helpful in establishing perceptions of competence and demonstrating sound operational and financial performance to government. These formal controls provided concrete evidence of Tennant's effectiveness and financial viability. To ensure its dominant role in alliances, program management and budget systems were used to identify and articulate which partners would interact in ways that enabled Tennant to achieve its purposes. This would establish a network of agencies that might provide suitable services. Tennant's manager indicated if these arrangements did not suit the partners, or partners presented a unified counter-argument, the alliance would likely be terminated. In this situation we see a role for formal planning as a tactical contrivance to identify the density of social networks, and to find situations where Tennant could broker alliances (Burt, 2005).

A manager described an experience that instigated this approach. Tennant had been involved with a major NGO that had strong connections within the network and Tennant had not been able to position itself as the lead agency. As such, Tennant was

not able to manage service providers to its advantage. In this situation they felt they had been 'swallowed up' in the alliance and had lost their identity, which was a catalyst for the decision to broker alliance formation to exploit structural holes.

Another benefit of Tennant's ability to demonstrate good performance to government over time is that it has been able to access potentially important information on government intentions to restructure the sector. Here we see evidence of the dynamic nature of the field within which social capital is being applied, where the field is in flux as different entities struggle and manoeuvre to have influence (Bourdieu, 1993). Through being able to access information on changing government intentions and priorities that other agencies cannot access, Tennant is able to act as a broker to develop collaborative proposals with other agencies for submission to government, further strengthening Tennant's ability to define the network to its advantage (Burt, 1997, 2005).

Evidence on the way Tennant acted as a broker between entities within structural holes builds our understanding of how power and authority over network partners can be developed. We observed how belief and other formal controls can help convince network partners that the focal organization should play a dominant role in the planned project. The efficacy of these controls can be enhanced when potential network partners do not collaborate with each other.

Conclusion

In this paper we used the concept of social capital to advance understanding of the interplay between MCS and the development of social connections both within and between organisations. By considering the notions of economic and cultural capital, and bonding and bridging we have shown how social capital can enrich the

study of how MCS can assist, or hinder, NGO's attempts to develop efficient and effective operations, within the context of the need to develop and manage economic resources while preserving their cultural capital. Using social capital we can acknowledge the central role of developing social ties both within and between organizations. By focusing on social capital, specifically the social ties involved in bonding and bridging, we can better understand how individuals react to MCS, and the implications for the connection between MCS and both economic and cultural capital. Our case study of an NGO demonstrated how elements of a MCS can enhance and inhibit the bonding and bridging dimensions of social capital and how this is implicated in attempts to develop and manage economic resources while preserving cultural capital.

This study has examined the dynamics of the interplay between MCS and social capital, and, in particular, revealed how different combinations of controls are related to different forms of social capital. We show that MCS can help to develop social capital; however, when different control system elements come into conflict, this can damage attempts to develop social capital. Our study shows how aspects of MCS (both organic controls and formal program management systems) can be used to enhance bridging and bonding social capital and help to preserve the cultural capital of an NGO. However, in our study, attempts to introduce formal controls, such as budgets, were not successful as they were predicated on acquiring and managing economic capital. We noted that these systems were introduced in coercive ways where they did not enable employees to identify with the new competitive funding context. In this situation, we observed instances where MCS inhibited bonding social capital which had the potential to diminish Tennant's cultural capital. It was apparent that damage to cultural capital was contained, to a certain extent, because of the depth

of existing cultural capital derived from years of the employees' commitment to Tennant's core humanitarian values. However, the strength of bonding and the strong cultural capital inhibited efforts to develop an awareness and sensitivity to economic matters, which arguably are necessary for NGOs' survival.

Our study contributes to understanding the important and complex role of belief systems in the context of generating and sustaining bonding social capital within NGOs. We highlighted how belief systems can be used beyond merely communicating values to employees and outsiders, and form part of the process of managing and maintaining employees' and outsiders' identification with core organizational values. We show how belief systems can concurrently help to develop bonding around core values of the organization; yet such strong bonding leads to an inward focus and inhibited openness to developing bridging with other agencies.

Our study also helps to develop understanding of the potential difficulties in employing financially-based MCS within NGOs. We saw widespread evidence, at the operational level, of resistance to using more formal financial controls as they were viewed as a threat to effective service delivery. Conversely, formal program management systems were well-received when employed to plan and monitor operations. These controls appeared to map well onto the everyday work of employees and clarified objectives and monitored client treatments. In NGOs this is particularly salient as the proximity of controls to activities can have critical consequences for client welfare. These formal program management systems were complemented with highly effective organic decision processes which were employed within loose structures and open communication networks. We see this approach of combining formal program management systems with informal controls working in tandem to facilitate internal bonding. Attempts to use financial controls interactively

were not successful as the financial logic implicit in such controls was perceived to be in opposition to core welfare ideals. While interactive use of financial controls had the potential to achieve productive debate on how welfare and economic values may be combined and reconciled, such debate was not forthcoming as the financial controls did not have enabling features.

Given the inevitability of the application of financial controls in NGOs we suggest that their use would appear to require, as a precursor, a change in attitudes and values concerning financial responsibility and efficiency. It seems that financial responsibility could be encouraged by developing an efficiency focus *before* employing financial controls, and then using interactive controls to develop concern with financial matters. While this may seem to be common sense, it does highlight a potentially critical, but overlooked, role for belief systems in shaping values and attitudes towards other MCS elements, which focus on values that may be perceived by employees as conflicting. As a first step to developing a concern with financial matters, the formation and application of belief systems could emphasize the importance of generating both cultural capital (promoting core welfare values) and economic capital (with connotations of efficiency). Given acceptance of the need for financial management, MCS could be designed in ways to ensure that they are enabling and then be used in an interactive way to provide the forum for their on-going application.

Our study provides some evidence related to the use of MCS by NGOs to enhance bridging. First, both belief systems and formal financial data had a role in legitimizing Tennant among alliance partners, funding agencies and government. This was part of Tennant's struggle to maintain its identity and its cultural capital so as to attract the type of programs and funding that suited its welfare agenda. We

show how Tennant successfully employed controls to help develop bridging and broker arrangements between agencies. This was most effective when Tennant acted as a broker connecting agencies within structural holes (Burt, 2005).

This investigation is subject to several limitations. First, our focus is on the functioning and outcomes of a specific NGO, rather than on whether this NGO is more effective than others that operate in the sector. It is possible that the observed outcomes could have been delivered more effectively or efficiently by other NGOs. Within the scope of our study, we are not able to assess this. Second, while evidence was drawn from interviews, internal documents, public material and some external opinions, in the paper there was greater reliance on interview data. While we viewed a wide array of archival documents, we were not able to reference these directly due to confidentiality. Every attempt was made to gain information from a wide selection of individuals across the organization and to corroborate interview data with observation of archival data. While we made efforts to corroborate our field data, we did not observe everyday operations in an intensive manner. Consequently much of the data is based on a rather limited number of interviews as opposed to indepth observational data. Third, while we were engaged with the organization for a period of 12 months and observed business over this time, some interviews were conducted during times that involved the introduction of changes that had a strong impact on the individuals. Their opinions may change over time.

Civil society is undergoing considerable change as the success of NGOs become increasingly dependent on their ability to develop strong reputations to gain government contracts and to receive funding from philanthropic organizations and other donors. In the increasingly competitive environment, NGOs are being forced to demonstrate abilities to deliver services effectively and effectively, with the potential

for an increased focus on efficiency concerns to jeopardize the sustainability of their cultural capital. Consequently, it is necessary for NGOs to manage the potential conflict between generating social capital to sustain their cultural capital and employ practices consistent with the economics of welfare. The application of MCS has much to offer NGOs as they respond to these tensions and changes in the structure of civil society.

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Figure 1: Carewell organizational structure

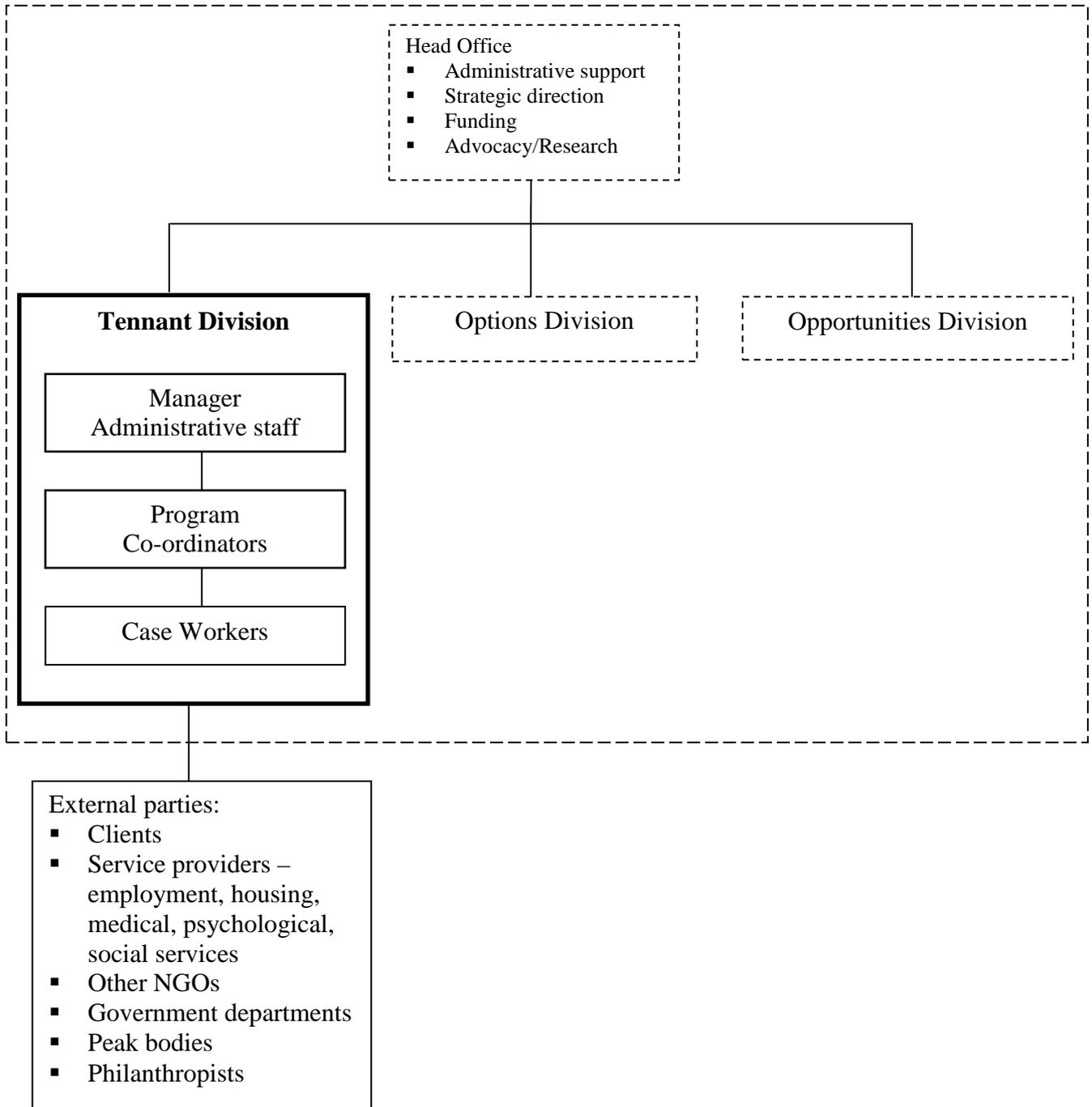


Table 1
Bridging and bonding dimensions of social capital and their potential benefits and disadvantages

	Definition	Properties	Potential benefits	Potential disadvantages
Bridging social capital	The impersonal properties of the social system and the network of social relations as a whole.	<ul style="list-style-type: none"> ▪ Number of social ties within a network configured in terms of density, connectivity, hierarchy and appropriability (Adler & Kwon, 2002). ▪ Extent to which individuals' contact within networks are themselves connected. High (low) levels of interconnections indicate a closed (sparse) network (Coleman, 1988; Burt, 1992). 	<ul style="list-style-type: none"> ▪ Access to resources, information, and skills/knowledge (Boxman, De Graaf & Flap, 1991; Knoke, 1999; Coleman, 1988; Burt, 1997; Powell & Smith-Doerr, 1994; Podolny & Page, 1998) ▪ Secure benefits (Portes, 1998) ▪ Leadership, power and authority by brokering connections (Burt, 1992; Coleman, 1988) ▪ Compliance with local rules and customs (Coleman, 1988) 	<ul style="list-style-type: none"> ▪ Costly to maintain (Hansen, 1998) ▪ Parochialism and inertia (Gargiulo & Bernassi, 1999, Powell & Smith-Doerr, 1994, 393) ▪ Group level exclusion and insularity (Foley & Edwards, 1996, 39) ▪ Excessive brokering restricting network opportunities and innovation (Gabbay & Zuckerman, 1998) ▪ Bringing together dissatisfied actors can deepen social cleavages (Portes, 1998)
Bonding social capital	The existence of values or norms shared by members of a group that permit cooperation among them.	<ul style="list-style-type: none"> ▪ Trust, cooperation and shared values (Putnam, 2000; Coleman, 1990; Fukuyama, 1995) ▪ Generalized reciprocity (Putnam, 1995) 	<ul style="list-style-type: none"> ▪ Cooperation between individuals (Fukuyama, 1997; Putnam, 1995) ▪ Sharing of fine-grained information (Uzzi, 1997; Krackhardt & Hanson, 1993) ▪ Solidarity (Granovetter, 1983; Putnam, 1993) ▪ Faster dispute resolution and the prevention of sectarian grievances (Nelson, 1989) 	<ul style="list-style-type: none"> ▪ Free rider problem and reduced incentives for entrepreneurial activity (Portes, 1998; Uzzi, 1997). ▪ Promote parochial resistance in times of change and crisis (Krackhardt & Stern, 1988) ▪ Promote socially unacceptable values and attitudes (Brass, Butterfield & Skaggs, 1998; Gambetta, 1993)

Table 2: Taxonomies of MCS and importance to social capital

Formal and informal MCS (Chenhall and Morris, 1995)

Definition of dimensions	Focus of control	Importance to bonding and bridging social capital	Possible tensions
Formal: deliberately articulated controls that provide information related to resource planning, decision making, communication, and evaluation.	Using quantitative information to focus attention on the capabilities of the NGO to deliver and manage in a business-like manner.	<ul style="list-style-type: none"> Enhance bridging by demonstrating capabilities and reputation to funding agencies, government and potential alliance partners. 	<ul style="list-style-type: none"> Formal controls may clash where the organic processes have been the customary mode of control, with potential damage to bonding.
Informal: organic communication and decision making processes.	Open channels of communication, easy of access to senior managers, tolerance of mistakes, sharing of problems and solutions.	<ul style="list-style-type: none"> Enhance bonding by developing close interactions based on interpersonal connections. 	

Levers of control (Simons, 1995)

Definition of dimensions	Focus of control	Importance to bonding and bridging social capital	Possible tensions
Belief systems: the explicit set of organizational definitions that senior managers use to communicate and reinforce the values, purpose, and direction for the organization.	Clarify, reinforce and communicate NGO values.	<ul style="list-style-type: none"> Enhance bonding by clarifying core values when selecting employees and reinforcing values between existing employees. Enhance bridging by helping other parties within a network to understand the organization's core values and purposes, particularly in times of change. 	<ul style="list-style-type: none"> While belief systems promote and reinforce values, boundary systems may be perceived as unnecessary or even suggest that employees cannot be trusted, which could damage bonding. Diagnostic controls provide information to manage in a more business-like way. This more bureaucratic approach may be incompatible with customary NGO controls and damage bonding. While formal diagnostic-type controls may damage bonding they can enhance bridging by demonstrating NGO capabilities to
Boundary systems: used by top managers to establish explicit limits and rules within which members can operate.	Delineate the unacceptable domain of NGO activity.	<ul style="list-style-type: none"> Enhance bonding by clarifying unacceptable areas of activity. 	
Diagnostic control systems: formal systems used to monitor organizational	Used to describe NGO activities in formal plans and budgets .	<ul style="list-style-type: none"> Enhance bonding by clarifying goals and cascading expectations throughout the organization. 	

outcomes and correct deviations from preset standards of performance.		<ul style="list-style-type: none"> ▪ Enhance bridging by demonstrating capabilities to engage in network activities (Cooper & Slagmulder, 2004), which may develop into relational signalling (Lindenberg, 2000) and goodwill trust (Tomkins, 2001). ▪ Enhance bridging by identifying areas of joint interest thereby reinforcing parts of the network (Mouritsen & Thrane, 2006). 	<p>funding bodies and alliance partners.</p> <ul style="list-style-type: none"> ▪ The formality of the interactive processes may be inconsistent with customary organic controls which may inhibit bonding.
Interactive control systems: formal systems managers use to involve themselves regularly and personally in subordinates' decision activities.	Use of different formal control practices to focus attention and force dialogue throughout the NGO.	<ul style="list-style-type: none"> ▪ Enhance bonding by encouraging debate on values and future directions of the NGO. ▪ Enhance bridging by helping managers to identify strategic uncertainties that may provide the impetus to create alliances and other cooperative arrangements thus extending networks. 	

Forms of bureaucracy (Adler and Borys, 1996; Ahrens and Chapman, 2004)

Definition of dimensions	Focus of control	Importance to bonding and bridging social capital	Possible tensions
Enabling: design and implementation of controls that are consistent with employees' mental models of the work situation.	Content of controls: repair, internal transparency, global transparency and flexibility (Ahrens & Chapman, 2004).	<ul style="list-style-type: none"> ▪ Enhance bonding by encouraging identification with goals. 	<ul style="list-style-type: none"> ▪ Potential to help resolve inconsistencies between customary organic processes and more bureaucratic approaches embedded in the interactive use of formal controls - a hybrid approach of enabling bureaucracy involving rules that are set, implemented and used organically.
Coercive: use of predetermined explicit instruction, rigidity and authoritarian command and control to coerce compliance.	As above.	<ul style="list-style-type: none"> ▪ Inhibit bonding as inconsistent with sharing of ideas and values that are central to the way that NGO's operate. 	

Table 3: List of interviews

Interview Number	Role	Duration (mins)
1	Business Support Director - Carewell	60
2	Program Manager, Tennant	120
3	Acting Program Director - Carewell & Program Manager, Options	90
4	Program Manager - Opportunities	90
5	Administrator - Tennant	90
6	Program Manager - Tennant	120
7	Accountant - Carewell	60
8	Program Manager - Tennant	30
9	Co-ordinator/case worker - Tennant	30
10	Business Support Director - Carewell	90
11	CEO - Carewell	90
12	Co-ordinator/case worker - Tennant	75
13	Co-ordinator - Tennant	80
14	Co-ordinator - Tennant	60
15	Co-ordinator/case worker - Tennant	60
16	Program Manager - Tennant	75

Table 4: Relations between management control systems and social capital at Tennant

Theme	Specific practices	Relations with social capital
<i>Informal and formal MCS and bonding social capital</i>	<ul style="list-style-type: none"> ▪ Organic decision and communication processes, such as informal regular meetings, open-door management policy, tolerance of mistakes, and sharing of information. • Program management system used interactively to plan and monitor client treatments in enabling ways. • Budgeting system used interactively in staff discussions but in coercive ways. 	<ul style="list-style-type: none"> • Open and supportive environment created by organic processes helped to develop and reinforce bonding. • Program management system developed bonding among case workers by helping them to assess progress on client treatments and clarify and communicate purpose. • Budgeting used to promote a focus on costs and efficiency and led to tensions around reactions to cost overruns and cost allocations, leading to a breakdown in bonding.
<i>Belief and boundary systems: bonding and bridging social capital</i>	<ul style="list-style-type: none"> • Extensive belief systems, such as formal mission statement, promotional leaflets, statues, photographs and paintings of patron, core values used to promote ideals internally and externally. Boundary systems, such as 40-point code of conduct signed-off by all employees and volunteers upon entry to the organization. Professional codes of ethics. 	<ul style="list-style-type: none"> • Belief systems developed a high degree of shared values among employees that generated strong bonding. • Used to clarify and articulate values during recruitment to provide a basis for bonding. • Belief systems also helped employees manage the tension between personal and organizational values, further reinforcing bonding. • However, the strong bonding developed through belief systems subsequently limited bridging with other agencies. • Little effect of boundary systems on social capital as strong clarity of purpose makes boundary conditions unnecessary or at least redundant. ▪ Use of belief systems, and ‘concrete’ data from program management system, budgets and KPIs, to communicate and reinforced to external parties Tennant’s distinctiveness, reputation and prestige. This enabled Tennant to broker relationships within structural holes where its values and operational models could dominate.
<i>MCS and brokering alliances</i>	<ul style="list-style-type: none"> • Collection and reporting of financial data and KPIs to meet requirements of agreements with funders. • Belief systems, program management systems and budgeting system (as above). 	<ul style="list-style-type: none"> ▪ Use of belief systems, and ‘concrete’ data from program management system, budgets and KPIs, to communicate and reinforced to external parties Tennant’s distinctiveness, reputation and prestige. This enabled Tennant to broker relationships within structural holes where its values and operational models could dominate.

