

**SOCIALISING ACCOUNTABILITY IN A RELIGIOUS CHARITY  
ORGANISATION**

Les Hardy  
Department of Accounting & Finance  
Monash University  
Gippsland Campus Churchill,  
Victoria, Australia 3842  
[Les.Hardy@buseco.monash.edu.au](mailto:Les.Hardy@buseco.monash.edu.au)

Harry Ballis  
School of Humanities, Communications & Social Sciences  
Monash University  
Gippsland Campus Churchill,  
Victoria, Australia, 3842  
[Harry.Ballis@arts.monash.edu.au](mailto:Harry.Ballis@arts.monash.edu.au)

**Abstract**

The dual classification of hierarchical and socialising forms of accountability has proved useful in assisting accounting and accountability researchers to consider accountability beyond the confines of technical considerations. However, researchers concur that the two forms of accountability overlap and are interdependent. This paper presents empirical data highlighting how socialising accountability has been adopted by one religious charity organisation - the Sanitarium Health Food Company – as the principle means to report on its activities to constituents and the wider public. The paper explores both the strengths and limitations of socialising accountability as a form of reporting, and particularly the consequences when this form of accountability is decoupled from its hierarchical moorings.

**KEY TERMS:** Accountability, Socialising Accountability, Seventh-day Adventists, Sanitarium Health Food Company

## 1 - Introduction

‘Well! I’ve often seen a cat without a grin,’ thought Alice;  
‘but a grin without a cat! It’s the most curious thing I ever  
saw in all my life!’ (Lewis Carroll, *Alice’s Adventures in  
Wonderland*)

Socialising accountability has contributed to broadening accounting and accountability’s research agenda as well as extending accountability’s social reach. Socialising accountability can complement the more widely understood and used notion of hierarchical or formal accountability (Laughlin, 1990; Roberts, 1991) and has enabled researchers to focus their attention on issues beyond the functional and economic. For example, the notion of socialising accountability has been instrumental in expanding the archival data on which researchers could draw and this in turn has enabled Maltby (1997) to undertake innovative studies of accounting and morality among the nineteenth century German middle class by examining contemporary fiction literature. Socialising accountability also allowed Walker (1998, 2003) to explore the use and development of accounting in domestic settings. It provided opportunity for researchers to examine areas that otherwise may have been overlooked by a narrow preoccupation with formal accountability, including, for example, how accounting and accountability intersect with religious beliefs (Carmona and Ezzamel, 2006) and the fact that accounting carries social as well as moral imperatives (Aarington and Francis, 1993a\b; Schweiker, 1993; Shearer, 2002). The renewed focus on socialising accountability has made it possible for other researchers to advocate radical social change and to promote alternative reporting practices (Roberts, 1991; Broadbent, et. al., 1999; Westerdahl, 2001; Whittaker, et. al., 2004).

However, while the role of hierarchical accountability has been widely studied and understood, research into socialising accountability remains embryonic with the notion promoted and used primarily as an ideal type. In this context Panozzo (1996, p 194) has called for empirical evidence to help further understand the practices of socialising accountability:

The fact the competing accounts of organizational terrain may exist should encourage the search for explanation of how practices of socializing accountability emerge, compete and interact with other systems of accountability.

This paper responds to this challenge and seeks to explore the accountability practices within a church-run business. The paper draws upon the Sanitarium Health Food Company (SHF), a not-for-profit business owned and operated as a department of the South Pacific Division [SPD] of the Seventh-day Adventist [SDA] Church,<sup>i</sup> to examine this organisation's accountability practices. The paper shows that SHF has made socialising accountability its primary means of public disclosure and public relations. The accounting and accountability practices of this secretive organisation (Hardy, 2009) would have been largely inaccessible to anyone relying on accessing formal reports. Moreover, the paper argues that an understanding of the role of socialising accountability within the SHF has provided an insight into this organisation's activities, priorities, and claims to charitable status that extend beyond SHF's required hierarchical accountability.

Religious organisations provide a vantage point from which to study socialising accountability and its nature (Jacobs and Walker, 2004; Laughlin, 1996, Quattrone, 2004, Walker, 1998), because hierarchical aspects of accountability remain back-stage while the primary focus is on the socialising aspects. Churches and religious movements are key players in the non-profit sector traditionally with their church-run schools, hospitals and

aged-care facilities. The religious and charitable sector in Australia is governed by minimum regulation with no legal requirement for groups as unincorporated organisations to report on their income, expenditure, or their business activities. They are not required to file an income tax return or pay tax on business and commercial activities. All the same, religious organisations do provide voluntary reports and these voluntary reports occurring, as they do, outside the regulatory environment are a critical lens into these organisations and their embrace of accounting and accountability. This paper indicates that an examination of the voluntary reporting of church-run businesses also has potential to “shed new light on the nature of accounting and accountability” (Quattrone, 2004, p 648).

The research on which this paper is based draws on a study conducted by Hardy (2009) that involved detailed analysis of contemporary and historical documentation relating to SHF and 17 semi-structured interviews. The interviews were conducted with key individuals that had personal links with SHF, including former SHF accountants and senior management. Key themes explored during interview included aspects of SHF accountability, the organisation’s shifting attitudes toward engaging with the wider community, willingness to provide sponsorships for sports groups that previously would have been rejected as “un-Adventist”, and openness and transparency relating to financial reporting. The ethnographic approach (Hammersley and Atkinson, 1983) adopted for the study combined document analysis with input from key informants and has been seminal to arriving at a detailed understanding of SHF accountability.

This paper begins with a review of some of the key literature on hierarchical and socialising accountability, noting that to date the primary focus has been on formal accountability. The paper introduces the SHF, the organisation that forms the basis of the discussion. Next, the paper highlights the salient aspects of socialising accountability and the fact that the SHF has used this form of accountability as a decoy to divert attention from the absence of formal reports. Finally, the paper reflects on the nature of socialising accountability, its strengths and limitations as practiced by SHF and the Adventist Church.

## **2 - Hierarchical and Socialising Accountability**

Hierarchical accountability is a product of the bureaucratic nature of organizations.

Hierarchical accountability is in keeping with the bureaucratic environment within which individuals are both controlled and disciplined vertically, and where relationships are constituted by formal and defined roles. Accounting information systems play an important role in hierarchical accountability by making visible activities and individuals within organizations. Roberts (1991, p 355) notes that the hierarchical forms of accountability help to produce and reproduce individuals who are “nervously preoccupied with how (they are) seen”. Because of its link with the formal processes of an organization (including accounting), hierarchical accountability has been the “principal focus in the accounting literature” (Jacobs and Walker, 2004, p 363).

Closer examination of the links between accounting practices and hierarchical accountability have resulted in a number of studies that highlight how a disciplined and visible self has been created within organisations and society. Miller and O’Leary’s (1987) classic study

highlighted that accounting was instrumental in contributing to the construction of a governable self. Loft's (1986) critical study of cost accounting and Hoskin and Macve's (1986, 1988) works linking accounting and accountability with "a genealogy of disciplinary power", have contributed to extended the power and influence of accountability more broadly and beyond the generation of profit so as to actually control and discipline the visible self. Common to each of these studies is a belief that the emphasis on calculability and self-examination associated with modernity can be traced to the expanding influence of hierarchical accountability (Butler, 2005).

While the focus of hierarchical accountability is on formal and defined reporting processes, the search for its power has been sought beyond the confines of a narrow technical consideration of accounting. Roberts (1991) argues, to understand the broader notion of accountability it is necessary to break free from the idea that accounting is "*the Account*" (Hopwood, 1983, p 298). The evidence from the search for a broader accountability reveals that often pre-existing accounting practices were adapted and harnessed to serve a modernist "culture of precision and control" (Hopwood, 1994, p 301). Critical to this growing understanding of hierarchical accountability inspired by studies into social and societal accounting, is the conviction that the research lens should not be constrained by economic and functional explanations as to how accountability practices and their reproduction occur in modern organizational and domestic contexts. The research of Hoskin (1996), Hoskin and Macve (1986, 1988), Roberts and Scapens (1985), Roberts (1991, 1996), Walker (1998, 2003, 2008), and Willmott (1986), to name a few, has contributed initially to extending the reach of hierarchical accountability, but inevitably also to highlighting aspects of accountability's power not fully understood or explained by a formal focus.

Roberts (1991), describes socialising accountability as an interactive social process that typically flourishes in informal space, local contexts and at the margins of hierarchical accountability. Roberts explains that socialising accountability is presented as lacking structure, typically is not recorded, occurring outside formal reporting processes and in casual encounters between individuals. Laughlin (1996) argues that this form of accountability that is informal and lacks structure and definition is prevalent within high trust environments. According to Laughlin (1996), churches and organizations where members and professions are connected by strong ideologies and where the potential for value conflict is low – like churches - are typically high trust environments. Laughlin associates socialising accountability with the caring professions including education, health, social service and clergy. The distinction between socialising and hierarchical accounting is therefore potentially very useful in highlighting different accountabilities. Laughlin (1996, p 229) notes, however, that both forms of accountability “can be equally powerful in their reporting expectations and their control intentions”. The dual classification of accountability (Laughlin, 1990; Roberts, 1991) has proved useful in assisting researchers to see “differences in accountabilities that are emerging” (Munro and Mouritsen, 1996, p xi).

As with any seminal classification, the identification of different types of accountability has attracted both theoretical and critical scrutiny (Boland and Schultze, 1996; Jonsson, 1996; Panozzo, 1996). All the same, acceptance of the contextual nature of accountability has resulted in a number of innovative studies exploring accountability within high trust organisations including religious organizations (Barberis, 1998; Behn, 2001; Bovens, et. al., 2008; Broadbent, et. al., 1999; Jacobs and Walker, 2004; Roberts, 2001). From their study

into the accounting and accountability practices of the Iona religious community Jacobs and Walker (2004, pp 378-379) observed that while it is possible to identify both socialising and hierarchical forms of accountability, the “distinction between these categories is blurred” and do not “liberate or dominate” in the way that the classification may suggest. While this renewed interest in socialising accountability has generated a spate of productive research, Jacobs and Walker (2004) note that this aspect of accountability remains relatively unexplored because the main focus of most studies into accountability has been on commercial organizations with highly developed systems of formal accountability. High trust organisations underpinned by a commonly shared ideology, such as religious communities, provide ideal contexts to examine socialising accountability (Broadbent, et. al.,1999; Jacobs and Walker, 2004; Laughlin, 1990, 1996; Westerdahl, 2001; Whittaker, J et al, 2004).

To date much of the discussion regarding socialising accountability has transpired in the shadow of individualising hierarchical accountability (Scharpf, 1997). All the same, socialising accountability still is deemed as being a more subtle and humanising form of accountability, less alienating and more people friendly (Broadbent, et. al., 1999; Power, 1997; Roberts, 1996). Power (1997) contends that socialising accountability may be viewed as the complementary back stage of more visible formal processes. Roberts (1991, p 367) call for researchers “to recover accountability from the elusive and apparently mesmeric grip of Accounting” should be understood in the context of his desire to advance new forms of socialising accountability driven by “ethical considerations,” “new commercial agenda(s)” and the idea of being “accountable to somebody” (Kreiner, 1996, p 86). Socialising accountability, therefore, has been introduced into the literature as a broader accountability grounded in a moral and communicative relationship with others rather than as a

preoccupation with the individualising accountability of the self (Arrington and Francis, 1993; McKernan and MacLulich, 2004; Schweiker, 1993; Shearer, 2002). Socialising accountability thus is seen as a way of capitalising on social processes and practices that mollify the preoccupation of hierarchical accountability with its focus on refining techniques, calculation and instrumentality (Roberts, 1996; Boland and Schultze, 1996).

This study responds to the various calls for more empirical evidence to extend our understanding of the practices of socialising accountability and how these “emerge, compete and interact with other systems of accountability” (Panozzo, 1996, p 194; Jacobs and Walker, 2004). At the same time, this paper highlights that socialising accountability is not value-neutral; while it provides accounting researchers with additional insight into accountability, we contend socialising accountability also has its limitations particularly when “liberated” (Jacobs and Walker, 2004) from its hierarchical moorings. Our examination of one religious charity – the Sanitarium Health Food Company – highlights both the strengths and limitations of socialising accountability.

### **3 - Context of the Study**

For over 100 years SHF has operated as a business within the unincorporated organisational structures of the SDA church. The company is an example of an emerging trend among businesses operating as unincorporated organisations (Irvine, 2007) under the auspices of a religious community can grow and become competitive alongside multi-national companies. SHF is regularly cited as an example of an organisation whose governance, accountability and lack of transparency raise concerns regarding the charity status of religious organisations

and unregulated practices within the not-for-profit sector in Australia (*Business Review Weekly (BRW)*, 24-30/3, 2005, pp 44- 54, *The Australian*, 21/7/2008, p 36). SHF thus presents as a well-known case worthy of further study in terms of accounting and accountability.

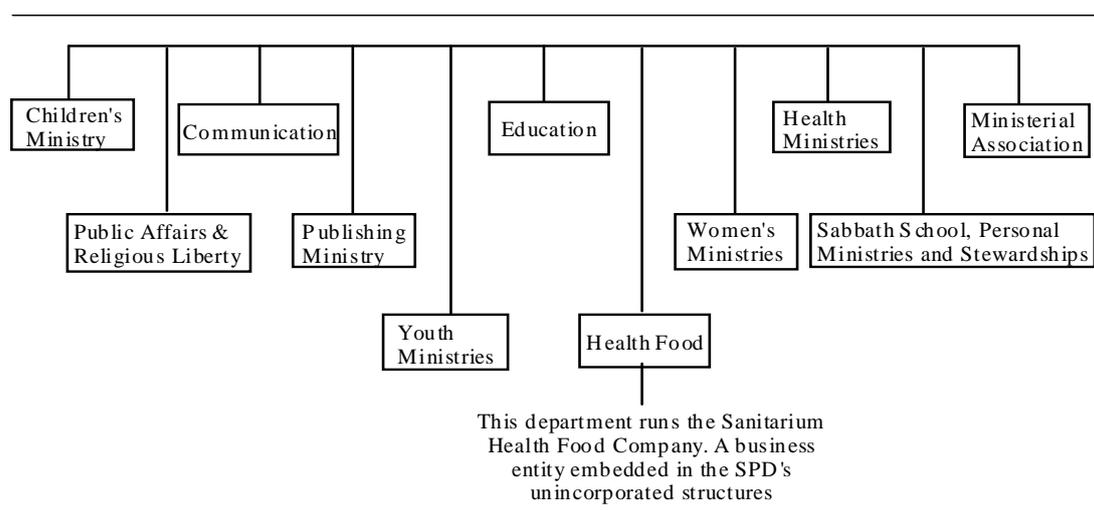
The SDA Church is one of a number of new religious movements that commenced during the mid-nineteenth century (Ballis, 1999; Butler, 1986, 1987). The religious minority began in North America and quickly developed into a world-wide operation that now boasts a membership of more than fifteen million. SDA's are well known for building institutions, including schools, universities, hospitals - the sixth largest hospital system in the United States (Morgan, 2001), retirement villages, publishing houses and health food factories as instruments for promoting the Adventist gospel. In the economy of Seventh-day Adventism, institutional success is synonymous with being blessed by God (Bull, 1992,). A key teaching of Adventism is the promotion of healthy living as a religious duty (Numbers, 1976, 1992). The focus of the present study is on the Sanitarium Health Food Company (SHF), a private business entity, owned and operated by the SDA Church.

SHF is a cereal and food manufacturer with a combined turnover in Australia and New Zealand estimated at between A\$300m and A\$400m (*Business Review Weekly (BRW)*, 24-30/3, 2005, p 45-51; *Record*<sup>ii</sup>, 9/4/2005, p 13). Within the Australian and New Zealand market SHF competes against multi-nationals such as Kellogg and Nestle. SHF owns Weet-Bix, Australia's largest selling breakfast cereal, voted by the Australian public as Australia's most iconic trademark (*ABC Online News*, 2006; *Record* – 22/7/2006, p 5; 14/10/2006, pp 1,

3). For almost three decades SHF has been the dominant player in the cereal market in New Zealand. SHF also has a leading position in the soy-milk market and has been instrumental in developing that market. In addition SHF produces a range of vegetarian foods marketed primarily to the Adventist constituency while producing products for the growing vegetarian market built around soy. SHF is now the flagship of Adventist institutionalism in Australasia.

Figure 1.

**Unincorporated South Pacific Division of the Seventh-day Adventist Church (11 Departments)**



Some familiarity with the organisational structure of the SDA church (Figure 1) is necessary in order to make sense of the nature of SHF's accountability and stewardship. The South Pacific Division, the highest governing and policy body of the SDA Church in Australia and New Zealand is the South Pacific Division [SPD] which, is responsible only to the world governing body of the SDA church located in the USA (Oliver, 1989). The organisational structure of the unincorporated SPD of Seventh-day Adventists is developed around the church's departmental structure. The church is organised into a number of Departments

(Figure 1), each one responsible for overseeing a particular aspect of Adventist activities. The primary responsibility of the Health Food Department consists of running the business entity known as the Sanitarium Health Food Company. While the number and nomenclature of Departments run by the SPD have been added to, amalgamated or renamed, Health Food and/or Health Ministries Department (with the SHF) have remained permanent fixtures of the church's departmental structure at least up to 2005.

While SHF is a business entity that operates as a department within the unincorporated structures of the SDA church, there are additional legal structures that impinge on SHF accountability. The SPD also operates a series of public companies limited by guarantee that act as trustee companies for a range of activities undertaken by the SPD. With the exception of the Australasian Conference Association (ACA), these public companies have been incorporated since about 2000. Two of the nine public companies relate but are not limited to the activities of SHF. The ACA was formed in 1909 and has been responsible for acting as trustee for the assets of the SPD of Seventh-day Adventists including those of the SHF. These assets include church real estate, investments and the assets of the SHF business entity. The ACA is the responsible trustee and legal face of the SPD Seventh-day Adventist church and the SHF. On April 5, 2001 two other similarly organised public companies, the Australasian Conference Association (No 1) and Australasian Conference Association (No 2) became responsible along with the ACA for holding SHF assets in trust. These arrangements were subsequently changed along with the nomenclature of the two newly formed trustee companies. The Australasian Conference Association (No 1) became the Australian Health and Nutrition Association Limited and as of October 4, 2001 became the trustee company

responsible for the business operations of the unincorporated business entity known as the Sanitarium Health Food Company. Consequently the ACA became the sole holder of the real and intangible assets of the SHF and was no longer responsible for the operational aspects of SHF.

The public face of the SHF, that is, the organisation listed on SHF products which also is subject to the regulatory reporting authorities in Australia, consists of two Adventist trustee companies: the Australian Conference Association (ACA) and the Australian Health and Nutrition Association. These trustee companies do not conduct any business in their own right and submit in their reports to the regulatory bodies that they are not reporting entities. Their legal obligation to the regulatory authorities is fulfilled by providing financial reports with nil balances. In view of the unincorporated nature of the SHF business entity and its relationship with the trustee companies, the present study is concerned with SHF's *voluntary disclosures* as an unincorporated business. Interestingly, despite a lack of formal reports, SHF's advertising encourages consumers to consider a broad form of corporate accountability and to seek to discover what SHF is like on the *inside*. The blurb regarding SHF on the packet of one of the cereals reads:

On the outside, we may seem like just another food company. But on the inside, we're a lot more than that. We're a group of people who believe passionately in the potential of every Australian. The potential to be healthy, physically, mentally and emotionally. The potential to be happy. The potential to live life with purpose. And we believe this journey all begins with good nutrition. Because what you feed your body, and your mind, changes the way you feel. Over a 100 years ago, we started making healthy, nutritious foods. We did this to give Australians a healthier choice and we've been doing it ever since .... It's not just about talking, caring about the community is a core value of Sanitarium and our employees. Whether it's Australia's largest kids sporting event the 'Sanitarium Weet-Bix TRYathalon', the Good Start Breakfast Club for kids in need, for the free health and nutritional advice for all Australians, we're here because we want to make a difference. It's what we do. It's who we are, on the inside. Because after all ....'It's what's inside that counts'.<sup>iii</sup>

It is rare for organisations to produce statements of this sort that proclaim the uniqueness of this organisation's 'inner soul' and invite closer scrutiny of the organisation by readers and customers. SHF's semblance of openness makes this examination of its accountability practices all the more poignant.

#### **4 – Accounting for Invisibility**

Despite this gesture of openness the organisation actually reveals very little either to the public or the Adventist community regarding its hierarchical accountability and the use of its profits for charity. In the absence of formal reports in the public domain, this paper has relied on a range of published material regarding SHF in the Adventist and mainstream media. Information has also been derived from semi-structured interviews with a number of key informants in the Adventist organisation and SHF, including former Church Executives, SHF managers, SHF accountants and other individuals of influence in the Church.

To understand the full extent of SHF's socialising accountability it is necessary to take a broad view of how the social and broader accounting is intertwined (Burchell et. al., 1980; Hopwood, 1985, 1987; Miller, 1994, 2001; Miller and Rose, 1990; Napier, 2006; Rose and Miller, 1992). From a societal accounting<sup>iv</sup> perspective there are two distinct views of SHF relevant to this paper: one presented to the Adventist community and a second directed at the general public. In the mainstream media, while SHF is considered "gentlemanly" in terms of its business approach, it also has a reputation for being a "fortress," "notoriously secretive" and "wary of public scrutiny."<sup>v</sup> Adventists would be familiar with the gentlemanly notion, while the secretive view is at odds with constant references to SHF within Adventist media.<sup>vi</sup>

These differences in approach, however, provide a natural division in SHF's socializing accountability. The mainstream media is overwhelmingly concerned with SHF's status as a non-profit organisation despite its commercial activities. The commercial media, for the most part, remains ignorant of SHF's non-financial accountability and stewardship concentrated on by Adventist media. Conversely the mainstream media's interest in SHF's financial accountability receives only fragmentary consideration within Adventist press whose interest focuses primarily on non-financial accountability and how the organisation is meeting its Adventist mission.

It is critical, therefore, for the purpose of understanding SHF accountability to ask what one can discover about this organisation were they to limit their inquiry to SHF's hierarchical reporting. In other words, what does hierarchical accountability reveal about SHF? In the first instance, one would learn that SHF neither makes public disclosure nor produces formal reports regarding its finances. SHF trustee companies disclose nil balances to the regulatory authorities. Church members are reassured that SHF generates profits, but details are never revealed. SHF pays no income tax on its Australian profits. The community in general is told SHF operates as a charity and donates all profits to charitable causes, but the specifics are not disclosed and few causes are named. SHF has been undergoing major structural change with the closing of all its retail outlets and some factories and select operations, the relocation of its headquarters from Wahroonga in Sydney to Gosford in New South Wales, creating new internal organisational divisions, acquiring new properties, the professionalisation of its senior management and the shift of its labour force from a predominance of Adventists to non-Adventists, however, the re-investment in the company is not disclosed. SHF is involved in producing innovative products (like Soy), and new products and packaging are featured in

supermarkets. The organisation enhanced its international profile by purchasing businesses in the UK and Canada, and by establishing licensing arrangements in South Africa. SHF marketing strategy has more recently moved away from traditional Adventist-approved promotion strategies into establishing alliances with other businesses, including Dick Smith Foods and McDonalds. As well, SHF has developed links with sporting organisations, including sponsoring the New Zealand All Blacks and Australia's Socceroos, and has become the primary sponsor of Australia's domestic Sheffield Shield Cricket – Australian cricketers now boast in television commercials that they are “Weet-Bix kids”. Collectively these achievements create the impression of an organisation that is dynamic, innovative, opportunist, profit driven and commercially successful – without disclosing financial details.

SHF is run by astute accountants and business managers who successfully compete with multi-national companies (such as Kellogg and Nestle) and use the technical tools of hierarchical accountability to manage the business and provide internal reports. But financial reports are accessible only to an elite inner coterie, who, according to one informant, “keeps the reports under their sweaty arm pits”. The tradition of silence regarding SHF finances has become so entrenched within the organisation, that one Adventist historian who was seeking to write a history of SHF, recalled that the general manager of SHF, an accountant, questioned him as to why financial information would be needed to write a history. Another respondent who, for a number of years, had been a member of the SPD Executive reported that he had never seen an SHF financial balance sheet during his tenure on the committee even when he was required to vote on important financial decisions. He explained, “the SHF utilised the concept of ‘commercial in confidence’ a long time before the words were invented.”

*The Record* (12 July 2008, p 9), the denomination's primary communication instrument in the South Pacific, declared that SHF "is one of the [Church's] best kept secrets" despite the fact that it contributes millions of dollars to the church. *Spectrum*, a publication by Adventist academics and professionals, describes the absence of SHF financial reporting as "a gaping hole" and called on the organisation to "be more open to scrutiny of those who take an interest in [the] institution – the constituency of the church" (Harrison, 1981, pp 28-36). Such calls have gone unheeded. SHF regularly attracts the attention of government inquiries, competitors, and interrogation by media regarding the organisation's charitable status, use of profits, and amounts donated to charities, but in each case the reply has been that "as a privately owned company we are under no obligation to publish our financial reports" (SHF Business Review, 1997, p 2)<sup>vii</sup>. One sympathetic informant, who expressed gratitude for the fact that SHF funds guarantee his entitlements in retirement, noted there is "Much reporting in Adventism but it does not necessarily say much or inform". Commenting on this state of affairs, a former SHF Chief accountant noted – wryly and with a smile – that "SHF reports are like a bikini: What they reveal is interesting, but what they conceal is vital". What is "revealing" about the SHF, in this instance, ultimately has to be derived from informal, less structured and more ill-defined reports associated with socialising accountability.

## **5 – SHF's Socialising Accountability**

There is a plethora of material in the Adventist media, particularly *Record*, detailing SHF's non-financial accountability. References to SHF are typically hagiographic, stressing trust, credibility and respectability (*Record* – 28/6/1997, p 1; 13/3/1999, p10; 19/5/2001. P5;

24/11/2001, p4). In their book on SHF, *What God Hath Wrought* (1995), Adventist historians Parr and Litster relied heavily on *Record* for information regarding SHF, noting towards the end of the book that any further analysis must be based on a process of “reading between the lines” (1995, p 435). SHF presents as an exemplary case illustrating how an organisation can harness the power of socialising accountability so as to answer critics, reassure the church faithful, and create a positive image of the organisation without disclosing the most critical aspects of its operation – the finances.

SHF reporting amounts to an inversion of triple-bottom line within commercial organisations, with non-financial accountability receiving elevated status while references to financial accountability dissolve within a more elaborate Adventist narrative regarding mission and devotion to the Church. This inversion in part is due to the way that Adventist beliefs influence, constrain, and control the commercial impulses of SHF. In 1974 the general manager of SHF wrote that the company lay at the

heart of the work in the Australasian division ... and we trust that ... ‘God’s gift to His Church’, will always be effective for the finishing of the Gospel in our day and age. (*Sanco News*, 1974, Vol 5 (3), p1)

SHF’s socialising accountability constructs an ongoing narrative that promotes an emotional and cultural connection between Adventists and SHF, based on links between the movement’s historical consciousness and theological destiny (*Record* – 7/9/1970, p 45; 22/9/1975, p38; 30/3/1985, p3; 18/5/1991, p4; 15/6/1991, p3; 1/2/1991, pp10-11; 29/11/2003, p47).<sup>viii</sup> This narrative has to do with enhancing and promoting the Adventist cause and world view.

While this narrative acknowledges and celebrates SHF's commercial success and contribution to Adventism in the antipodes and South Pacific, it is often clothed and at times appears incidental to other bottom lines. A key aspect of SHF mission is to help promote Adventism's religious duty to embrace healthful living. Reflecting on Sanitarium's 100<sup>th</sup> anniversary, Smith, SHF's CEO, noted that,

The health message is a key element of Sanitarium's existence. We continue to be a respected and leading authority on community health and nutrition. Sanitarium champions the need for healthy diet and lifestyle choices, and in so doing reflects the Seventh-day Adventist philosophy. (*Record* – 20/6/1998, p2)

SHF has been successful in promoting in the community its health agenda with its strategic promotional activities. However, the community, for the most part, remains ignorant of how and in what ways the activities and products of SHF relate to Adventism's religious duties.

SHF's public mission statement on the company's website makes no reference to the Adventist church. It states:

Our mission is to help you enjoy more energy and vitality as reflected in our core philosophy, 'a better life through better nutrition'...We also believe that good business is based on trust, respect and community involvement. (SHF Web, 2)

While it is possible for initiated Adventists to interpret the vague reference to a "better life" as a veiled reference to Adventist beliefs, it is clear that the organisation has deliberately set out to present its image in a manner that allows readers to decode the messages according to their individual biases. SHF's close links with the Adventist Church remain ambiguous and not immediately apparent to the general public. By contrast SHF's role as an Adventist institution is made explicit within literature directed at the church faithful.

For Adventist followers, SHF has been established to preserve and promoted the Adventist cause (*Executive Minutes*, 21/05/1986, p 302; *Executive Minutes*, 1/10/1987, SHF consumer

nutrition educator job description; *Record* – 13/6/1998, p 11; Sanitarium Health Food Company (SHF) Business Reviews 1997-2000). The goal of SHF is to produce healthy food products and contribute to educating Australasia about appropriate diet and nutritional practices based on Adventist health principles and philosophy (*Executive Minutes*, 21/05/1986, p 302; *Executive Minutes*, 1/10/1987, SHF consumer nutrition educator job description; Litster (undated), Original Chapter 26 for ‘What God Hath Wrought’; *Sanco News*, 1973, Vol 4(5), p1). The organisation has been called upon to engage in Adventist evangelism (direct and indirect), and support local Adventist Churches to run community nutrition courses (*Sanco News*, 1971 Vol 2 (5), p 5; *Sanco News*, 1973, Vol 4(5), p1; *Executive Minutes*, 21/05/1986, p 261; *Executive Minutes*, 26/11/1987, Section 56.15; *Record* - 11/6/1988 pp 10-12; *Adventist Professional* – 1997, Vol 9(2), pp 14, 15 and 26). SHF was set up to provide work for Adventists - particularly blue collar – so as to enable them to observe Saturday as their Sabbath (*Sanco News* – 1988, Vol 19(1), p 9; *Sanco News*, 1973, Vol 4, (5); Chapman Report (1936)). It has been called upon to operate as a department of the Church and to maintain a communitarian role with Adventist institutions, particularly educational institutions (Litster, Original Chapter 26 for ‘What God Hath Wrought’; Chapman Report (1936)). Last, but not least, SHF was established to provide financial resources to support the Church and its institutions (*Executive Minutes*, 21/05/1986, p 302; *Executive Minutes* – Reports, 1984, 1988, 1991; *Business Reviews* 1997-2000; *Sanitarium Creating a Future – Flyer* (n.d.)). SHF’s health mission is derived directly from core health teachings of the Seventh-day Adventist Church.

Adventists teach abstinence from drugs including alcohol, tobacco, tea and coffee and promote vegetarianism. Vegetarianism is virtually unknown in other Christian traditions but

is considered to be a core Adventist belief and the mark of a truly loyal Adventist. While eating clean meat is not prohibited,<sup>ix</sup> vegetarian menus are *de rigueur* at official Adventist functions (Brunt, 1981; Casey, 1981; Christenson, 1981). Dietary practices are one area from which SHF has not strayed and prides itself on identifying with the Adventist church and its philosophy (*Record* – 21/10/1995, p 13; 17/7/1999, p 7; Christenson, 1981).<sup>x</sup> SHF nutritionists and scientists provide Adventist diet with rationality and credibility, while cultivating an image of moderation.<sup>xi</sup> This also supports the Adventist notion of wholism, where religious and secular activities are not compartmentalised (*Record* – 9\6\1980, p1). The SHF has always been more than a “commercial organisation”, according to one informant, for you cannot “understand God unless you have a healthy mind.”

Any perceived SHF deviation from Adventist dietary prohibitions and taboos brings a swift response in *Record*. While illustrations abound it is shown starkly after SHF sponsored a *Women’s Weekly*<sup>xii</sup> supplement which in part contained pictures of prawns, oysters, pork and alcoholic beverages. As the prohibition of foods lie at that heart of Adventist dietary restrictions, in response to concerns from church members SHF asked *Women’s Weekly* for an apology and quickly communicated this fact to Adventist members. *Record* (19/9/1993, p 5) informed Adventist readers that,

The *Women’s Weekly* neglected to send the feature to Sanitarium for approval prior to its sale and have apologized for the embarrassment that has ensued to the company and our church members. Sanitarium is currently negotiating with the *Weekly* for suitable public apologies and compensation.

The extension of the apology to both SHF and Adventist church members, highlights both SHF sensitivity to accusations of deviating from Adventist health values and also the

company's desire to reassure the church faithful that the organisation continues to adhere to the Adventist blueprint.

In more recent times the viability of Adventism's large medical and educational investments were being widely debated within the church<sup>xiii</sup> SHF was quarantined from this debate. This exclusion in part was because financial information regarding SHF was fragmentary and would require unprecedented levels of disclosure. It also reflects that a large proportion of the membership remains convinced that SHF has an Adventist heart.

SHF's support for Australasian Adventism's communitarian activities has both social and economic strands that are foundational to SHF's socialising accountability. While both contributions are often acknowledged together, the financial is quantified informally and inconsistently. Butler, the SPD Treasurer's comment in *Sanco News* is typical. According to Butler, SHF blessings are:

most evident in the financial benefits which the Company gives to the work generally, but let us not forget the original purpose for its establishment. Often the impression is gained in other Divisions that their desire to have a strong health food work is primarily for financial benefit. We would not minimize these benefits. Earnings from the Sanitarium Health Food Company form a very substantial portion of the Division budget. Many other sections of the work are beneficiaries through the Division. One would hesitate to think what would be the effect on our mission field programme and currently on the Sydney Sanitarium rebuilding programme without this support. (*Sanco News*, 1971, Vol 2(5), p 5)

In a similar vein Norm Young, a respected Avondale<sup>xiv</sup> theologian in a letter to *Record* (15/6/1996, p 3) noted,

Supporting Sanitarium provides not only good food, but jobs for students (and many others), funds for the church and mission field, finance for our institutions, resources

for retirees, and a positive contribution to national health. Such considerations make loyalty to Sanitarium irresistible.

The importance of SHF's financial bottom-line to Australasian Adventism cannot be over-emphasised. However, as Butler indicates, the "original purpose(s)" should not be forgotten: to provide employment for Adventists to allow Seventh day Sabbath keeping, and communitarian support for Adventist institutions, particularly Adventist schools. Arguably within the Adventist media there are more reports on SHF's contribution to Adventist communitarianism than any other single aspect of SHF non-financial accountabilities.

References to SHF in *Record* rarely fail to highlight the seamless links between SHF, Adventist families and the church's educational system, with the religious, social and economic life of the community being *celebrated*. While reference to SHF is often only incidental, it underscores the power of socialising accountability that simultaneously connects earthly sacraments relating to birth, marriage, anniversaries and death with the SHF. The following obituary in *Record* of Kevin Jackson's grandmother, the current SHF's CEO, is a case in point.

**Jackson**, Williamina Ann Rose, born 25.6.1907 in the Shetland Islands; died 31.3.05 in Wellington, NZ. She was predeceased by her husband, Ray. She is survived by her sons and their wives,... Rose spent most of her working life employed by the Sanitarium Health Food Company, with her service beginning in Dunedin in 1926 and ending in Christchurch on her retirement. Her grandson, Kevin, the current Sanitarium CEO, *continues four generations of family involvement*. She served the church in many ways throughout her active life and she will be remembered for her food, her music, her caring help, her interest in people and her faith (Emphasis given - 14/5/2005, p 30).

This excerpt is typical of other narratives which illustrate what Adventist social commentators Bull and Lockhart (1989, 2007) describe as the Adventist penchant to develop cradle to grave institutions. There is a clear indebtedness to SHF within the Adventist

community. The majority of Adventists would agree with Ron Taylor, a former secretary of the SPD, that “Adventists should always say, *Make mine Sanitarium*” (*Record* - 26/9/1992, p 3; 13/10/2001, p 29).

SHF’s socialising accountability built around kinship, community and common religious beliefs is crafted to engender a sense of loyalty towards the organisation and the Church that is best described as *reciprocal stewardship*. Such stewardship becomes visible when there is perceived disloyalty towards SHF within the Church (*Record* - 18/5/1996, p 3). As a marketing strategy, SHF management explicitly asks Adventist members to ask retailers to stock SHF products (*Record*, 27/7/2002) and instructs them to ensure that SHF products are appropriately displayed on supermarket shelves.

The seeming incompatibility between SHF’s stated mission and Adventist understanding of that mission is an achieved outcome. The ambiguity is a deliberate ploy that simultaneously allows Church members to embrace the organisation and for SHF to brand itself as a not-for-profit charitable organisation in the general community. The ambiguity is apparent in the distance that exists between what SHF declares in the media and what it reports to Church members. Jackson, SHF’s CEO, is cited to have acknowledged this ambiguity in a report in

*The Australian:*

[SHF] is quiet about its century-long links to the Seventh Day Adventist Church (sic) and its charity activities. Jackson wants to stop this reticence, saying it could lead to misunderstanding of the brand ... He wants greater openness about Sanitarium’s ownership and how its profits are used. (*The Australian*, 2/9/2002, p 27-28).

The informal nature of socialising accountability thus makes provision for an organisation to address multiple audiences simultaneously. The community benefits from SHF's public gestures and sponsorship activities, such as sponsorship of TRYathlons (sic), sports groups and school breakfast programs. At the same time Adventists celebrate the financial resources that underwrite Adventist operations and the reassurance that the Adventist gospel is being proclaimed. From an Adventist perspective the SHF provides the resources for the South Pacific Division of Adventists to replicate the institutional achievements of North American Adventists (*Record* – 26/11/1983, pp 10-11; 30/3/1985, pp 4-5; 29/11/2003, pp 8-9; Parr and Litster, 1995; Maxwell, 1966; Johns and Utt, 1977). As one informant noted, SHF has acted as the social “glue” for Australasian Adventism, providing the “sociological force” behind Adventism's considerable institutional achievements that belie its small Australasian membership.

## **6 – Discussion**

The case study of SHF's socialising accountability presents a vantage point from which to consider issues relating to forms of accountability in not-for profit organisations such as religious charities. However, also SHF presents an ideal setting to study how this particular organisation has stepped outside its legal reporting obligations as a charity and used socialising forms of accountability to report on its activities. Few religious charitable organisations of this size and complexity have been as tenacious and energetic into making socialising accountability their primary means of communicating with stakeholders and the general public. One could argue that all organisations invest in promoting their self interests. However, to our knowledge, SHF is a rare example of an organisation that simultaneously invites public scrutiny of its inner motivation and deliberately draws public attention to its

charitable status and community engagement while maintaining a code of silence with respect to its financial activities. SHF meets all its legal reporting obligations. And yet, the fact that this organisation has gone the extra mile in both promoting and differentiating itself from competitors as a charity, also draws attention to those aspects of the organisation on which it does not report.

“Accounting is saturated with moral implications”, according to Arrington and Francis (1993a, p 105), not only by the values it promotes and its influence on the quality of life, but also in how it is implemented. Whether one gives an account or avoids accounting for one’s actions, both have moral underpinnings (Arrington and Francis (1993b; Schweiker, 1993). In the case of the SHF the visibility that the organisation achieves by means of socialising accountability at the same time draws attention with corresponding intensity to the complementary gaps evident by not providing formal reports. However noble may be SHF’s claims of community engagement, the social good can be quickly forgotten if the organisation is perceived to be hiding something by not reporting, is inconsistent in its reporting, or by communicating false messages to stake holders.

From their study of the Iona community Jacobs and Walker (2004) arrived at the conclusion that a hard edge cannot be drawn so as to separate hierarchical and socialising accountability, and that the two forms of accountability are inter-dependent. Similarly Brandsen et. al., (2008, p 15) point out that “while socialising accountability can theoretically be divorced from traditional [hierarchical] accountability, this is often not the case in practice”.

Regardless of which side in the debate the researchers favour, whether they be advocates of

the merits of socialising accountability (Broadbent et. al., 1999; McKernan and MacLulich, 2004; Shearer 2002) or critics of unrestrained reliance on hierarchical accountability (Roberts, 1996), accounting and accountability researchers are unanimous on the point that both forms of accountability are complementary and operate in tandem. What we have witnessed in the case of SHF, however, is that socialising accountability has been used as a strategy for company reporting that not only theoretically but actually partitions hierarchical and socialising forms of accountability as through these were compartmentalised and independent entities that can be called upon in isolation and each exercised with complete disregard for the other. While it is true that financial accountability is only “*one* element in a range of accountabilities” (Broadbent, et. al., 1999, p 359), in the case of the SHF it is the critical element, not only because it constitutes the key information that stakeholders are seeking, but also because in the absence of the financial, socialising accountability can be criticised as hollow, a “substitute” (Schillemans, 2007, p 20) and a decoy called upon to obfuscate and distract rather than promote openness and transparency.

The most salient feature of SHF’s accountability is the substitution of financial reporting with an elaborate narrative of social reporting. As noted above, socialising accountability has given SHF unprecedented levels of visibility in the community. At the same time the obvious absence of financial reports and the organisation’s refusal to disclose this aspect of its activities has also provoked significant levels of criticism from the community, including from the Adventist constituency. The disappointment of church members was echoed by an overwhelming majority of informants in the study; the cynicism of some was immediately apparent by the colourful language and imagery informants use to describe SHF’s practice of

not presenting financial reports. It is worth noting that the Salvation Army's practice regarding financial reporting represents the mirror reverse to SHF practice. Irvine notes:

From its early existence, the presentation of audited financial statements was a valuable aid to assuring the public of the Army's financial credentials and thereby securing a legitimate claim to the funds it required to continue its mission. (Irvine, 2002, p 31 cf Irvine, 1999)

While one may be tempted to argue that the Salvation Army was reporting on funds donated while SHF refuses to divulge profits generated from sales, the reality is that the two organisations are similar. Both organisations are business oriented; both run profitable businesses to support their activities; both are classified as charitable organisations. However, the outlook of the two church organisations toward financial reporting could not be more opposed. Regardless of whether or not SHF is fulfilling its legal obligations, the organisation's stance confirms the validity of Covalleski et al.'s (1993, p 67) judgement that an organisation's response to "societal expectations" that have "become a normative, taken-for-granted part of organizational life ... [influences] the way external *and* internal constituents think about and act concerning the organization." While SHF's foray into socialising accountability draws more – not less - attention to formal reporting, the SHF case also highlights the potential of socialising accountability for organisations.

Westerdahl (2001, p 63) points out that,

In order to be visual an organisation produces accounts. Accountability is hence lifted from the technical aspect of disclosing this or that, to a concept that concentrates on what is understood, what is learnt and how it facilitates the shaping of an identity in an organisation.

One of the key achievements of SHF is the discovery that socialising accountability is a powerful tool for enhancing an organisation's social profile, and can engender visibility and control with the same intensity and voracity as hierarchical accountability (Laughlin, 1996).

Indeed, for SHF, socialising accountability has become synonymous with public relations. Notwithstanding the criticisms regarding the organisation's intransigence in not disclosing financial reports, and the fact that in the long term the attention that the organisation currently enjoys may provoke further unwanted scrutiny from the authorities (ABC religious report, 2001; Access Economics, 2001)<sup>xv</sup>, SHF's current unparalleled media profile more than likely is translating into immediate financial returns and a social standing that its management would consider as more than compensating the possibility of negative costs. Couched in terms of SHF fulfilling its Adventist mission, even though SHF's engagements with sporting organisations unsettles some Adventist conservatives (*Record* – 4/10/2008, p 13; 25/10/2008, p13), the visibility of SHF in the media and the community undoubtedly would be interpreted by most church members as confirmation that the Adventist health message is being proclaimed.

Another achievement of SHF's manufacture of socialising accountability is its success in drawing the attention of members away from their sectarian marginality so as to vicariously bask in the mainstream and in the limelight of a successful business. SHF has enabled the Adventist minority to view itself as being bigger than it is: dynamic, socially relevant and respectable. Laughlin (1996) refers to the community enhancing capacity of socialising accountability. Both Laughlin (1991, 1996) and Whittaker et al (2004, p183) label this aspect of socialising accountability as "communal accountability" by virtue of the fact that it builds communities by fostering relationships. Implicit within socialising accountability, according to Whittaker, et al. (2004), is an outlook that endorses collaboration and partnership that promote development particularly in rural contexts. Ultimately SHF has to be credited with Adventism's institutional achievements in the South Pacific. Indeed, SHF is the envy of

Adventists in the UK and across Europe. In his doctoral dissertation examining Adventist institutional development in the UK, Theobald (1979) attributes the success of Adventism in the antipodes to the SHF, claiming that if it weren't for the SHF, Adventism in Australasia would be as obscure as its counterparts in Europe. These views were endorsed by informants during the study with acknowledgement that without SHF, the Adventist Church would not be able to support its elaborate outreach program in the South Pacific, the Sydney Adventist Hospital would be financially impossible to sustain, Avondale College, the Church's tertiary training centre in New South Wales would be reduced to a Bible college, and indeed, the Adventist institutional apparatus would be unviable. These aspects of SHF's socialising accountability validate Robert's (1999, p 365) belief, that "At the heart of accountability is a social acknowledgement and an insistence that one's actions make a difference both to self and others." Indeed, SHF presentations at Adventist annual convention meetings become rallying points where large numbers of Church members converge and rehearse the business achievements of SHF and affirm the legitimacy of the Adventist health gospel. SHF presentations become expressions of communal accountability in the true sense.

## **6 – Conclusion**

Socialising accountability typically has been discussed in the shadow of hierarchical accountability, in other words, it is an aspect of accountability that often is viewed as being of secondary importance to the formal reports. Critics would view socialising accountability as a form of 'soft' reporting. However, this paper has drawn on Roberts (1991), Laughlin (1990, 1996) and others to highlight how socialising accountability has provided insights into the SHF without which we would be in the dark about this organisation. The paper has presented empirical data showing that SHF has made socialising the central pillar of its accountabilities.

In its voluntary reporting SHF has embraced socialising accountability in a manner that suggests that this form of accountability can be a 'stand alone' and would suffice the accountability requirements of a charity.

However, the paper has also shown that while socialising accountability is a powerful and useful tool that enhances organisational visibility, this form of reporting is tantamount to being a mere shell and without substance when divorced from hierarchical accountability. Socialising accountability without hierarchical accountability is, in the words of Alice in Lewis Carroll's *Alice in Wonderland*, no more than "a grin without a cat".

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## Endnotes

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- <sup>i</sup> The South Pacific Division of the SDA church refers to Australasia and a number of South Pacific Island nations.
- <sup>ii</sup> Record – is the official Paper of the South Pacific Division of Seventh-day Adventists.
- <sup>iii</sup> Blurb found on SHF's *Granola* oat clusters (packet identification: 9307 23:46 3 2).
- <sup>iv</sup> The term societal accounting is used rather than *social accounting*, for as Gray (2002) acknowledges the latter term has become largely confined to reports on corporate social responsibility and environmental accounting. The reports considered in this study are broader.
- <sup>v</sup> Refer to - *The Age*, 7/5/1992, p 17; *The Dominion* [Wellington], 19/3/1997, p 30; *Australian Financial Review (AFR)*, 14/2/1998, p 32; *The New Zealand Herald (NZH)*, 13/10/1999, [http://web.lexis-nexis.com/universe/do...&\\_md5+45c889fcb8de9dd2150db09e1a1047](http://web.lexis-nexis.com/universe/do...&_md5+45c889fcb8de9dd2150db09e1a1047); *The Australian* 7/2/2001, p 23; *The Australian*, 2/9/2002, pp 27-28.
- <sup>vi</sup> The Adventist Media primarily refers to Adventist media produced in the SPD but not exclusively.
- <sup>vii</sup> From 1997-2000, SHF provided an annual Business Review. These reviews did not contain formal financial statements but embedded financial information within a narrative. They lacked consistent format which limited the ability to compare detail. However they collectively, represent the best publicly available information on SHF's financial stewardship to date and contain more comprehensive financial information than any SPD Executive Minutes sighted by the researcher in the course of this study.
- <sup>viii</sup> Adventist prophetic interpretation is based on a historicist hermeneutic that gives the movement remnant status within that interpretative framework, a position that has been maintained for over 150 years. Adventists therefore place a high premium on their history and God's leading (Newport, 2006, p32).
- <sup>ix</sup> The Adventist view of clean meat closely follows Jewish practice and application of Leviticus law.
- <sup>x</sup> A dispute between Unions and SHF in 2002\2003 reported in the mass media including references to the

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Adventist prophetess's anti-union stance and the Adventist philosophy regarding vegetarianism. While SHF did not defend Ellen White it did defend its vegetarian policy – *Newcastle Herald*, 23/11/2002, p 4; *The Australian*, 25/11/2002, p 4; *The Daily Telegraph*, 30/11/2002, p 38.

<sup>xi</sup> (Refer to *Record* – 8/5/1972, pp 12-13; 9/10/1972, p 9; 21/2/1977, pp 8-9; 12/6/1978, p 1; 30/7/1979, p 10; 8/10/1979, pp 8-9; 14/6/1982, p 11; 6/4/1991, p 12; 23/10/1993, p 10; 15/4/1995, p 10; 16/5/1998, p 7; 27/7/2002, pp 1,6; *Adventist Professional* – 1997, Vol 9(2), pp 14-15, 26).

<sup>xii</sup> *Women's Weekly* – A leading Australian women's magazine.

<sup>xiii</sup> (Refer to *Record* – 9/5/1987, pp 6-7; 24/4/1993, pp 12-13; 23/5/1998, p 2, 8-9; 6/6/1998, pp 8-9; 4/7/1998, pp 8-9; 8/8/1998, pp 8-9; 22/8/1998, pp 9-10; 12/6/1999, p 13; *Adventist Professional* – 1992, Vol 4(1) pp 10-12, 14-16; 1993, Vol 5(3), pp 11-15; 1996, Vol 8(1), pp 22-26; *Others* - McAdams, 1985, pp 27-35; Osborn, 1985, pp 45-56; Russell, 1985, pp 36-44; Young, 1988, pp 13-25).

<sup>xiv</sup> *Avondale College* – SPD's tertiary training institution trains ministers, teachers, nurses, accountants etc.

<sup>xv</sup> Four government inquiries in the period under study were – “The Industry Commission Inquiry into Charitable Organizations,” in 1994, “The Inquiry into the Definition of Charities and Related Organizations” in 2001. In 2008 two related inquiries into the non-profit sector were undertaken. The first by the Australian Federal Parliament's Senate Standing Committee on Economics and a concurrent review by the Commonwealth Government's Treasury Department.