

Socialising Accountability for the Sacred:

A Study of the Sanitarium Health Food Company

Submitted by

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Dedicated to Cathy and Alessandra

Let me not to the marriage of true minds
Admit impediments; love is not love
Which alters when it alteration finds,
Or bends with remover to remove.
O, no, it is an ever-fixed mark
That looks on tempests and is never shaken;
It is the star to every wand'ring bark,
Whose worth's unknown, although his height be taken.
Love's not Time's fool, though rosy lips and cheeks
Within his bending sickle's compass come;
Love alters not with his brief hours and weeks,
But bears it out even to the edge of doom.
If this be error and upon me proved,
I never writ, nor no man ever loved.

(Shakespeare - Sonnet 116)

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LIST OF ABBREVIATIONS

AAF	Association of Adventist Forums
ABC	Australian Broadcasting Commission
ACA	Australasian Conference Association Ltd
ADRA	Adventist Disaster and Relief Agency
AFR	Australian Financial Review
AMWU	Australian Manufacturing Workers Union
AOS	Accounting, Organizations and Society
ASIC	Australian Investment and Securities Commission
Adventist	Seventh-day Adventist Adherent
Adventism	Seventh-day Adventist Beliefs
BRW	Business Review Weekly
CEO	Chief Executive Officer
DSF	Dick Smith Foods
Division	South Pacific Division of Seventh-day Adventists (previously known as the Australasian Division)
GM	Genetically Modified
Sanitarium	Sanitarium Health Food Company
SBS	Special Broadcasting Service
SDA	Seventh-day Adventist
SHF	Sanitarium Health Food Company
SPD	South Pacific Division of Seventh-day Adventists
SMH	Sydney Morning Herald
NES	Nutritional Educational Service
NSW	New South Wales (Australia)
NZ	New Zealand
NZH	New Zealand Herald
UN	United Nations
USA	United States of America

Abstract

Accounting and accountability researchers have shown new interest in the study of religious organizations by exploring how secular practices associated with accounting and accountability mesh with religious goals and activities. Despite burgeoning research into accountability relatively little is known about the nature of accountability in religious organizations. The present study seeks to address this need by exploring the accountability practices of a business entity owned and operated by an Australian religious minority.

This study focuses on the accountability practices of the Sanitarium Health Food Company (SHF), a food manufacturing business owned and operated by the Seventh-day Adventist Church. SHF is a non-profit organization whose annual gross revenue is estimated at between A\$300m to A\$400m, making it one of Australia's top earning charities. SHF provides no formal financial reporting to church members and only a handful of church elites know the financial details of this organization. As a charity SHF is not required to pay income tax; as a department of the Adventist Church it is subjected to minimal regulatory requirements and therefore justifies not disclosing its financial details to church members or the public. However, as a charity there is an expectation that the organization would detail how profits are used, the causes it supports and the extent of that support. This information has not been readily forthcoming from the organization.

Church members view SHF as being an Adventist organization upholding and promoting denominational teachings, values and practices; to the public the organization presents itself as a charity promoting disinterested humanitarianism. This case study combines historical and field research methodology. It draws on archival and published material relating to the SHF and Adventist community and data from interviews with a range of stakeholders. The primary focus of the study is the period between 1970 and 2005, during which time SHF grew significantly and underwent major restructuring of its operations, management and orientation.

The study reveals that while SHF presents minimal formal reporting, the organization has evolved a sophisticated socialising accountability, aimed at promoting the operation to church members as an Adventist institution and to the wider public as a mainstream charity. The study highlights that a feature of Adventist accountability relates to a unique interpretation of the notion of being accountable to God. Adventists believe in a *literal* investigative audit in heaven commencing in 1844. This teaching differentiates Adventists from other religious groups. The teaching provides the primary focus of Adventist accountability, motivates social action and regulates Adventist organizational behaviour.

The study of SHF provides a vantage point from which to examine the role that religious beliefs play in promoting commercial activities. In the study of SHF, religious beliefs and secular business practices overlap, each reinforcing the other. The evidence presented in relation to SHF highlights a meshing of religious values and secular operations in ways that make it impossible to compartmentalise sacred and secular activities within the Adventist organization.

Declaration

This work contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

I give consent to this copy of my thesis, when deposited in the University Library, being available for loan and photocopying.

..... Les Hardy

..... Date

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Chapter 1

Introduction

1.1 Introduction

Accountability has become the distinguishing feature of modernity and pervades almost every aspect of social existence: it is expected of our social institutions including schools and hospitals, governments and corporations. Calls for individuals, corporations, organisations, businesses and governments to be more accountable underpin the activities of large segments of the mainstream media and are difficult to resist. Even highly regulated institutions such as the police and military are required to demonstrate accountability for their actions. Interest in accountability has attracted scholarly attention across a wide range of disciplines to the point that this interest has many academic journals supporting a multidisciplinary approach to the study of accountability.

Accounting researchers in particular have been attracted to exploring notions of accountability. Researchers often use the terms ‘accounting and accountability’ to refer to the strong links that can exist between the account giving inherent in accounting and accountability. While some accounting research views accountability as a narrow economic activity, explanations for its ubiquitous grip on the culture of modernity lie more broadly. To understand this broader notion of accountability, researchers have been encouraged to focus on wider social and contextual factors beyond the technical by examining how a “culture of precision and control” has promoted the adoption and broad replication of technical practices such

as accounting (Hopwood, 1983, 1994, p 301; Roberts, 1991). Studies into the broader aspects of accountability have shown how the concept has helped shape and internalise modern concepts of self and other, along with the systems and processes of control that operate both at an individual and organisational levels (Hoskin and Macve, 1986, 1988; Jacobs and Walker, 2004; Quattrone, 2004, Walker 1998). A critical feature of these studies is that they have occurred outside of commercial enterprises, focusing on educational, domestic and religious settings. These studies to various degrees additionally drew attention to the critical role that religious beliefs and subsequent social action have played in helping to form the broader accountability that was observed. In particular they offer the potential to observe “*differences* in accountabilities” rather than view accountability as a homogeneous set of practices and understandings (Munro and Mouritsen, 1996, pp x-xi). This study is about accountability and stewardship within a religious organisation.

1.2 Theoretical Context

In a study exploring accounting and accountability practices within the Jesuit Order, Quattrone noted that,

[little] is known about the ways in which research on religious entities may shed new light on the nature of accounting and accountability. (Quattrone, 2004, p 648)

Quattrone (2004) highlighted a limitation of the existing research into religious organisations that focus on technical aspects of accounting and on understanding commonalities in approaches to accounting. The concern is that both professional and academic studies into religious organisations have highlighted the absence or presence of good accounting practices and provided prescriptive advice for perceived deficiencies (Booth, 1993). More recent studies, most notably by Laughlin (1988,

1990) and Booth (1993, 1995), have highlighted the need for research into religious organisations that relates accounting and accountability to the religious beliefs of the practitioners. Laughlin in particular made a significant contribution to the literature by drawing attention to the role of religious beliefs for understanding the technical accounting practices within the Church of England in the United Kingdom. Both Laughlin (1988, 1990) and Booth (1993, 1995) accept that religious belief and the technical practices of accounting and accountability are in tension with each other. To explain these tensions Laughlin and Booth proposed a theoretical framework which assumed a division between sacred and secular activities in a manner that implied the two were incompatible. Laughlin and Booth argued that the tensions inherent in the divide are ubiquitous to all religious organisations. Since their initial research in late 1980s and early 1990s, the sacred and secular divide has become a key theoretical assumption to explain any observed tension in the application of accounting and accountability within religious and other organisations, where commitment to ideology conflicts with financial imperatives.

The sacred and secular divide has come under scrutiny as a range of empirical studies have shown that, in certain contexts and contrary to the divide, accounting and accountability practices are embraced by religious beliefs and intertwine with them (Cordery, 2006; Espejo et al, 2006; Ezzamel, 2005; Irvine, 2005; Jacobs and Walker, 2004, Quattrone, 2004; Walker, 1998). The most telling criticism is that while the divide highlights the importance of religious beliefs and practices for understanding secular activity within religious organisations, the model still nevertheless draws attention to and is preoccupied with the technical and economic aspects of accounting and accountability (Carmona and Ezzamel, 2006; Quattrone,

2004). The divide actually treats religious organisations as if they are similar, so that unique features are lost or treated as part of a continuum typical of all organisations.

The present study responds to the challenge posed by Quattrone and seeks to provide insight into the accountability practices within one religious organisation, the Seventh-day Adventist Church. The study rejects the reductionism implicit in the sacred and secular divide and seeks to understand the complex interplay between religious teachings and secular practices within the activities of the Seventh-day Adventist (SDA) owned, Sanitarium Health Food Company (SHF). The study provides opportunity to examine the broader social aspects of SHF accountability and how these are connected with Adventism's central religious beliefs. SHF provides a unique vantage point to consider how in this context the sacred and secular intertwine.

1.3 Research Focus

Churches and religious movements are key players in the non-profit sector traditionally running 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. For example, religious groups are not required to file an income tax return or pay tax on commercial activities and businesses that they undertake.

There is evidence that over time churches develop business activities that extend beyond their traditional core religious functions. SHF has operated as a business

within the unincorporated organisational structures of the SDA church for over 100 years and presents as a long-term example of an emerging trend of church run businesses. SHF is a salutary reminder of how businesses operating as unincorporated organisations under the auspices of a religious community can grow and become competitive even with multi-national companies. SHF also is an example of an organisation referred to when concerns are raised regarding the governance, accountability and transparency of the religious, charity and not-for-profit sectors voluntary disclosure and unregulated practices within Australia (*BRW*, 24-30/3, 2005, pp 44- 54, *The Australian*, 21/7/2008, p 36).

The absence of regulatory constraints compelling SHF as an unincorporated business to report on its activities focuses attention on the nature of SHF accountability. Questions, however, arise because while SHF is meeting its regulatory obligations some church members and a growing number within the general community considered that the organisation is failing to meet its social obligations. There is an expectation that as a charity SHF would be more open to public disclosure and not less. The ambiguity of an organisation operating for profit and simultaneously appearing to receive special treatment by virtue of its links with a church has contributed to the community's disquiet about SHF. The present study seeks to better understand these sentiments toward SHF and the organisation's strategies for addressing criticisms. Each of the research questions thus arise from the social context in which the organisation operates and engages with an aspect of the nature of SHF accountability.

The central question that underpins the present study is:-

What is the nature of SHF's accountability?

As noted above, SHF sits outside the normal parameters of a typical business. SHF operates to generate profit, but is considered by Adventists as a department of the Adventist Church. SHF's goals must therefore simultaneously reflect both business and religious obligations. It is the juxtaposition and tension between these seemingly incompatible goals, which provide the challenge of this study and means to explore the nature of SHF accountability.

A number of additional questions arise to support an enquiry into the nature of SHF's accountability. These include:

What is the nature and manner of SHF reporting to the Adventist Church and general Community?

This question arises because SHF enjoys the minimal regulatory regime applicable in Australia to the financial and charitable activities of churches. SHF reports are thus a voluntary response to the social context that the business operates in and to issues of accountability. As a department of the Adventist church SHF would be expected to report their accountabilities to the Adventist constituency. However SHF's size, profitability and charitable status have also created a need for SHF to report on their accountabilities to the wider community.

What reporting practices, strategies and accountability functions underpin the commercial activities of SHF as a profit driven charity?

SHF's status as a department of the Adventist church ultimately results in SHF being distinguishable from other commercial entities, although the existence of such a relationship is not widely known beyond the Adventist church. SHF in the general

community is primarily known for being a food manufacturer that competes robustly with multi-nationals such as Kellogg and Nestle. When attention is drawn to SHF's relationship with the Adventist church, in one way or other, SHF's status as a commercial charity is highlighted. SHF's charitable and humanitarian endeavours thus become critical to understanding the nature of SHF accountability.

Moreover, what are the consequences of Church ownership on SHF's accountability and reporting functions?

It has become increasingly apparent that the key to understanding technical activities such as accounting and accountability in religious organisations is to be found within the organisation's underlying beliefs and values (Laughlin, 1988, 1990; Booth, 1993, 1995). While some have sought to compartmentalise the sacred and secular, historical accounting research has demonstrated that religious belief has supported a vigorous commercial ethic (Faircloth, 1988; Flesher and Flesher, 1979; Kresier and Dare, 1979; Swanson and Gardner, 1986). The relationship between Adventist beliefs and SHF's accountability and reporting functions are thus considered to be essential in exploring the nature of SHF accountability.

1.4 Research Design

The present study is qualitative in focus. In the absence of formal reports regarding SHF in the public domain, the study has employed a range of methodologies to access data regarding SHF commercial activities. These include analysis of published material in the Adventist media and reports regarding SHF in mainstream media. A key source of data for the present study was derived from semi-structured interviews with a number of key individuals in the Adventist organisation and SHF, including former church Executives, SHF managers, SHF accountants and other key

individuals of influence in the church. A salient feature of the present study is a combining of historical analysis and field research. Details of the research methodology are outlined in Chapter 3.

1.5 Seventh-day Adventism

The Seventh-day Adventist Church is one of a number of new religious movements whose roots can be traced to the social and religious ferment in the United States in the first half of the nineteenth century (Ballis, 1999; Butler, 1986, 1987). Thompson (1999, p 282) argues that the Shakers, Harmonists, Mormons, Jehovah's Witnesses and Seventh-day Adventists are all branches of the one "tree with roots deep in American soil". Out of the ashes of the failed Millerite prediction of the end of the world and second coming of Christ in 1844 (Linden, 1978) emerged a community that now boasts a membership of fifteen million. By the turn of the nineteenth century and in less than fifty years of operation, the minority had grown from being an all-American sect into a worldwide movement, and from obscurity into social notoriety.

Seventh-day Adventist theology is founded on key Protestant teachings that are supplemented with a handful of unusual beliefs, including the idea that Christians should observe the Jewish Sabbath (Bacchiocchi, 1980), a belief in the imminent end of the world with the second coming of Christ, that death signals the cessation of both body and soul (Bull and Lockhart, 1989, 2007), and the promotion of healthy living as a religious duty. The teaching that separates Adventists from other Protestants, including Sabbatarian Christians, is the doctrine of the investigative audit. Young (2005) notes that the belief in a literal heavenly investigative audit is

the *only* doctrine that is unique to Seventh-day Adventists. Adventists believe that the heavenly audit began in heaven in 1844 the outcome of which will determine who is eligible to spend eternity with God and who is destined for eternal damnation, and represented a new way of “measuring the man” (Butler, 1987, p 201; Morgan, 2001; Schwartz, 1970). The heavenly audit is promoted both as the model and motivation for accountability on earth and is used to maintain psychological control both over individual members and the organization. Adventism’s use of the heavenly audit thus reflects the sociological preoccupation of sects with the notion of accountability that involves “separating the qualified from the unqualified” (Weber, 1978, p 1204). Accountability within sectarian communities will thus typically be more pronounced than in other religious settings, due to the intensity of the moral obligation to practice the sects’ religious teachings at an individual and congregational level (Schwartz, 1970; Troeltsch, 1986; Stark, 2007; Weber, 1978, 2002; Wilson 1959, 1961, 1970).

The emphasis on the heavenly audit and its corollary of the end of the world represent the engine that mobilises the membership and drives the complex Adventist organisation. While there is growing unease among some members over the delay of Christ’s predicted imminent return, the urgency of the apocalypse continues to be promoted and Adventist members heed the call to keep a lookout for signs of the end time (Lawson, 1997; Morgan, 2001, Newport, 2006). Even in its diminished form, the apocalypse, with its dark foreboding images of beasts, cataclysms, and natural disasters of unprecedented dimensions, remains dominant in Adventist discourse and continues to evoke psychological sanctioning to compel the majority of members to preach the gospel of the last days while conforming to the movement’s Victorian

codes of conduct (Butler, 1987). (Refer to Appendix 1 for the Seventh-day Adventist Church's 24th *Statement of Fundamental Belief* on the SDA investigative judgement/audit.)

1.6 Prophetess of Health

Ellen White was the single most important thinker to have shaped Adventist beliefs while simultaneously providing members with detailed instructions on how to live successful lives on earth. Ellen White has been variously described as Adventism's "spiritual mother" (Butler, 1992, p xxx) and "chief architect of Adventist ideology" (Graybill, 1979, p 37). Seventh-day Adventists believe that Ellen White was a prophetess and while she died on 16th July 1915 aged 87, her voluminous writings continue to be promoted alongside the inspired writers of the Christian Bible (Bull and Lockhart, 1989, 2007; Morgan, 2001; Theobald, 1980; Vance, 1999). Thompson (1999, p 287) makes the bold claim that by 1914, the time of her death, Ellen White "had published more writings than any woman in history".

For the Adventist community, the medium *is* the message. Despite the passing of time, and her own passing, Ellen White can still be heard legitimising beliefs, instructing church leaders, admonishing members and rebuking the wayward, notwithstanding the growing number of individual voices both within the movement and many on the outside, questioning her legitimacy (Ford, 1980; Hook, 2008; Rea, 1982; Numbers, 1976, 1992). Ellen White remains the "single conduit" (Butler, 1987, p 203) through which Adventism draws its vitality. Theobald (1980, p 98) sees the influence of Ellen White on Adventists in "virtually every aspect of [their] daily existence, including childrearing, relationships in the home, diet, exercise, education,

work and leisure”. A surprising omission in Theobald’s catalogue is any reference to Ellen White’s influence on commercial and business activity. Schwartz observes:

Seventh-day Adventist ideology ... presses its adherents to adopt modes of action which are directly oriented to overcoming the secular sources of deprivation, and it does so in a realistic manner. It tells them how to become a ‘success’ in this world, and, more important, it treats these patterns of secular behaviour *as if they were absolutely essential for salvation*. (Schwartz, 1970, p 47, emphasis given)

Ellen White has much to say about money and the importance of sound business principles and training both within the home and in commercial settings. As Parr (*Record*, 18/12/1972, p 4) explains, “If you think that the Bible says a lot about money, Ellen White has much more.”

Numbers (1992) describes Ellen White as the *Prophetess of Health*, because of her influence in shaping the movement’s health message. However, Ellen White had even more to say to Adventist followers about business, organizational matters, and the Adventist work ethic. The following excerpts from the writings of Ellen White are typical of numerous such statements about the importance and value of accounting and accountability:

All should learn how to keep accounts. Some neglect this work as non-essential: but this is wrong. (White, 1941, p 460)

Bookkeeping is, and ever will be, an important part of the work [of the gospel]. (White, 1948b, p 553)

Do not spend time learning that which be of little use to you in after life...Learn how to keep accounts. (White, 1930, p 184)

When very young, children should be educated to read, to write, to understand figures, to keep their own accounts. (White, 1952, p 386)

Ellen White contended that the keeping of accounts is more important to the Christian than higher critical studies (White, 1903) and declared that Adventist

schools should aim to produce technically competent accountants who also embraced values of truth, obedience, integrity and purity (White, 1903).

In the study of figures, work should be made practical. Let every youth and child be taught, not merely to solve imaginary problems, but to keep an accurate account of his own income and outgoings. (White, 1903, p 239)

White insisted that Adventist colleges should make it their goal to perform a dual function of educating members for business as well as evangelism (White, 1923).

Part of this emphasis on accounting had clear and practical implications for the Adventist movement. Ellen White's instruction in relation to accounting and accountability has been the blueprint for the Adventist organisation which supports a sophisticated accounting and auditing department that oversees the church's institutional structures and commercial activities. If the health message is the "right arm" of the Adventist message (White, 1948f, p 229), what Ellen White has to say about business, use of money and work constitutes the Adventist heart.

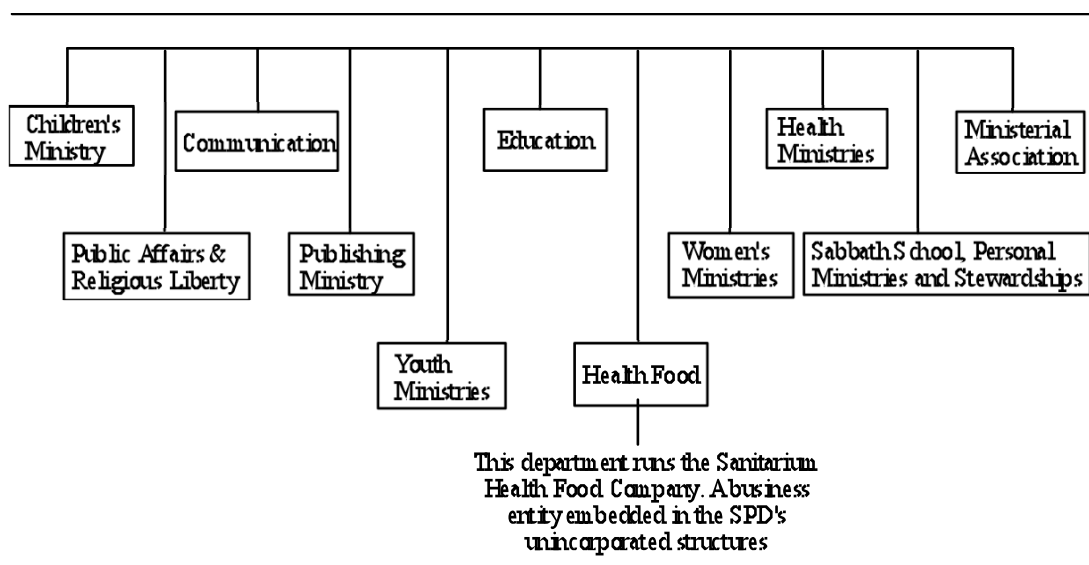
1.7 Sanitarium Health Food Company

For its size Adventism has developed an extraordinary global network of 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). This emphasis on establishing and operating institutions is one of the salient features of contemporary Adventism, notwithstanding the movement's preoccupation with the end of the world. The paradox of a religious community that combines strong belief in the end of the world and support for the complex

organisational structure aimed at restoring order on earth, has attracted considerable scholarly attention (Theobald, 1979; Schwartz, 1970). This has been expressed in a variety of ways, but the most quoted is Gaustad's (1976, p 151) observation that "seldom while expecting a kingdom of God from heaven, has a group worked so diligently for one on earth" (cf. Graybill, 1979; Hudson, 1973; Pearson, 1990). The focus of the present study is the Sanitarium Health Food Company (SHF), a private business entity, owned by the Seventh-day Adventist Church (SDA).¹ The study is primarily but not exclusively confined to the period 1970 to 2005.

SHF is a cereal and food manufacturer in Australia and New Zealand, with a combined turnover estimated at between A\$300m and A\$400m (*Business Review Weekly (BRW)*, 24-30/3, 2005, p 45-51; *Record*, 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 biggest single selling breakfast cereal and 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). In the New-Zealand market SHF is the dominant player in the cereal market. 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.

Figure 1.1 Unincorporated South Pacific Division of the Seventh-day Adventist Church (11 Departments)



The organisational structures of the SDA church are critical to understanding the nature of SHF's accountability and stewardship. Figure 1.1 depicts the unincorporated structure of the South Pacific Division (SPD) of the Seventh-day Adventist Church. The SPD is the highest governing and policy body of the SDA Church in the South Pacific, 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 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* and SHF has remained a permanent fixture of the church's departmental structure at least up to 2005.

SHF is a business entity but operates as a department within the unincorporated structures of the SDA church. However, 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 activity undertaken by the SPD. With the exception of the Australasian Conference Association (ACA), these public companies have been incorporated within the period of the present study (Table 1.1.). Two of the nine public companies relate but are not limited to the activities of SHF. The ACA was formed in 1909 and for most of the period under study was responsible for acting as trustee for the assets of the SPD of Seventh-day Adventists. These assets included church real estate, investments and the assets of the SHF business entity. The ACA was the responsible trustee and legal face of the SPD Seventh-day Adventist church in general and the SHF in particular. On April 5, 2001 two other similarly organised public companies, the Australasian Conference Association (No 1) & (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.² 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.

Table 1.1 – Incorporated South Pacific Division of Seventh-day Adventists (four of the nine Trustee Companies listed)

Public Company – Limited by Guarantee	ACN	Date of Incorporation	Focus of Role
Seventh-day Adventist Church (Division Services) Limited	113 941 307	22/4/2005	Trustee for the risk management, undertakings of the SPD.
Seventh-day Adventist Church (Pacific) Limited	113 941 021	22/4/2005	Trustee to provide support to Church activities in Australia and South Pacific
Australian Health and Nutrition Association (Former Australasian Conference Association, No 1)	096 452 872	5/4/2001	Sole care for the operation of the business trading at the Sanitarium Health Food Company since 4/10/2001. Trustee for unincorporated Health Food Department of the SPD of SDAs
Australasian Conference Association (ACA)	000 003 390	26/3/1909	Trustee for a range of church assets. Sole trustee of real and intellectual property of the unincorporated Health Food Department, including SHF's trade marks.

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 (Refer to Appendix 2). Because of the unincorporated nature of the SHF business entity and its relationship with the trustee companies, the present study is concerned with SHF voluntary disclosures as an unincorporated business. This study thus seeks to understand SHF's

voluntary reporting, that is, the nature of the organisation's accountability to both members of the Adventist Church and the general community.

1.8 SHF's Voluntary Reporting

The matter of voluntary reporting is an ongoing issue within the accounting and accountability literature. Much of the research into social accounting is involved in critiquing the adequacy or otherwise of voluntarily reported information on matters concerning the environment, occupational health and safety and corporate citizenship. Regulatory requirements provide the basis for corporate reporting, however, some theorists (Jensen and Meckling, 1976; Skinner, 1994; Smith and Warner, 1979; Watts and Zimmerman, 1978) maintain that market forces would result in effective voluntary reporting. Based on this thinking, firms would voluntarily provide information to the market to lower their costs of capital. Other researchers concerned with the triple-bottom line reporting call for even greater regulation particularly in the area of social accounting (Deegan, 1999; Deegan and Newson, 2002; Gray et al, 1988; Gray et al, 1996; Gray et al, 1997; Guthrie and Parker, 1990). Research into broader motivations of accounting and accountability are also concerned with voluntary reporting and disclosure. Studies by Walker (1998, 2003, 2008), Hoskin and Macve (1986, 1988), Willmott (1996) have drawn on voluntary disclosure in their discussions of a broader accountability beyond economic considerations.

However, even though accounting and accountability researchers dispute the value of voluntary reporting, the same researchers would concur that accounting and accountability is a moral as well as a social activity with an obligation for account

giving either at individual or corporate levels (Arrington and Francis, 1993a; Arrington and Francis, 1993b; Schweiker, 1993). This suggests that there is an expectation that an organisation would weigh up its account giving in the context of its relationship with stakeholders and the communities in which it operates. An organisation may not be obliged to report by law, but cannot avoid the moral obligation to respond to social expectation. In relation to SHF, this matter is a perennial and dominates exchanges whenever SHF's charitable status is raised in the mainstream media. The focus of this study into the nature of SHF accountability in effect seeks to understand how this organisation has responded to this social and moral expectation.

1.9 Structure of the Study

The study is structured as follows. Chapters 1 to 3 present the technical apparatus of the thesis. Chapter 2 presents an overview of the recent literature on accounting and accountability in religious organizations. Chapter 3 introduces the research methodology that combines analysis of historical documents and field research in an endeavour to understand the religious beliefs that underpin social action and influence SHF and Seventh-day Adventist community.

The study then presents the research findings. Chapter 4 highlights the key features of the Adventist organisation – the beliefs, people and organisational structures - that impinge on SHF accountability and stewardship. Chapter 5 explores SHF's non-financial accountability as it relates to Adventist belief and social action, in particular how SHF contributes to Adventism's identity and mission. Chapter 6 highlights SHF's financial accountability and the fact that in *practice* the organisation does not

provide formal financial reports. It shows how SHF has devised its own approach of reporting that promotes societal accounting as pivotal and uses fragments of financial information to strengthen those societal reports. Chapter 7 considers SHF's status as a charity and the Adventist Church's use of SHF profits. Chapter 8 draws together the various threads of SHF accountability. The chapter highlights that SHF management and Adventist leadership have been able to harness the power of socialising accountability along with the Adventist understanding of their accountability to God to engender loyalty of Adventist members. Chapter 9 offers a brief summary and conclusion to the study.

¹ SHF being described as "...a commercial, tax-free off-shoot of the Seventh-day Adventist Church" by Elaine Hollingsworth an anti-soy campaigner on one of her blogs (*Hollingsworth Online*, 2004).

² The Australasian Conference Association (No 2) changed its name to the Sydney Adventist Hospital Limited and became the responsible trustee for the Sydney Adventist Hospital.

Chapter 2

Accounting and Accountability in Religious Organizations

2.1 Introduction

A prominent feature of research within the accounting and accountability literature has been the resurgence of interest in studying accounting as a situated practice, by presenting focused case studies of specific organizations and how accounting actually was understood by the participants within these organizations as opposed to text-book assumptions of the practice of accounting. Commencing during the 1980s accounting researchers extended their interests specifically to exploring the role of accounting and accountability within religious organizations. Religion has proved a fertile area of study within the social sciences, however, accounting researchers are surprising newcomers notwithstanding the fact that the discipline of accounting and accountability could be said to have originated within religious settings and contexts and has derived its moral power of stewardship from within religious traditions. Even more surprising is the fact that, for the most part, accounting and accountability research within religious settings has been constrained by the domination of a theoretical framework that on the one hand, has dichotomised the relationship between secular activities such as accounting and routine religious practices and, on the other, caricatured and distorted both in ways that obfuscate the intertwining of accounting practices and beliefs in religious organizations.

This chapter presents an overview of the recent literature on the study of accounting and accountability in religious organizations and in the process critiques the sacred

and secular divide. The chapter notes that our understanding of accountability within a religious context could be enhanced by the introduction of the concept of stewardship.

2.2 Neglected Field of Study

Studies into the relationship between accounting, accountability and religion are in short supply, despite the social, economic and cultural significance of religious institutions (Carmona and Ezzamel, 2006; Parker, 2001, 2002). The primary reason for the lack of research in this area is that accounting and accountability researchers have tended to see religious organizations as just a variation of non-profit entities. Research thus tended to focus on economic factors associated with inefficiency and failure to adopt appropriate technical practices. Although still embryonic, recent research not only has begun to focus more specifically on religious organizations, it also has attempted to problematize accounting and accountability within religious organizations and settings.

Laughlin (1988, 1990) and Booth's (1993, 1995) sacred and secular framework was the first theoretical attempt to examine the business and financial activities of religious organizations. The Laughlin and Booth sacred and secular dichotomy was developed around classifying activities within religious organizations according to whether or not these relate to matters of belief and the extent to which activities correspond with routine processes that occur in non-religious organizations. In its most general form, the interpretive framework of the sacred and secular dichotomy is founded upon the following key assumptions:

- “*all activities*” are inherently either sacred or secular (Laughlin, 1988, p 24, his emphasis; Booth, 1993, p 46);
- there is an inherent tension between sacred beliefs and secular activities (Laughlin, 1988, p 26; Booth, 1993, p 46);
- within religious organizations activities can be grouped as belonging either to the sacred or to the secular (Laughlin, 1988, p 26; Booth, 1993, p 58);
- sacred beliefs and practices dominate within religious organizations (Laughlin, 1988, p 37; Booth, 1995, p 66);
- by virtue of their institutional structures (and particularly during times of financial crises) religious organizations are obliged to embrace rational/secular practices in order to function and exist (Laughlin, 1988, p 31; Booth, 1995, p 69);
- administrative systems and accounting practices are typically secular activities within religious organizations, are considered necessary yet secondary to the sacred and will be resisted (Booth, 1995, p 234).

Laughlin (1988) and Booth (1993) consider that researchers need to understand the sacred and secular division in order to fully appreciate and better understand the techno-rational dimensions of religious organizations, including the roles of accounting and accountability. It is important to note that while the sacred and secular framework accepts that religious belief plays a central role in religious settings, the economic focus of the previous literature was not challenged, but assumed that friction must always exist between sacred and secular activity.

There has been however a growing unease within sections of the academic community over the applicability of the framework both theoretically and

empirically. Researchers have questioned the assumed dominance of the economic assumptions implicit in the model. Other researchers have questioned the adequacy of the dichotomy as an explanatory tool. Researchers within social accounting in particular began to look beyond the economic to the other (Shearer, 2002) in their endeavours to link accounting and accountability with broader social and cultural practices. Some researchers began to argue that account giving was a moral as well as a social activity (Arrington and Francis, 1993a; Arrington and Francis, 1993b; Schweiker, 1993). In a similar vein key studies into religious communities by Quattrone (2004) and Jacobs and Walker (2004) provided empirical evidence that such studies could show insight into accounting and accountability practices beyond the economic. These and other studies posed a challenge to theoretical models that compartmentalised activities within religious organizations into sacred and secular, arguing that the relationship between beliefs and social practices such as accountability were an empirical issue based on context (Jacobs and Walker, 2004). Quattrone (2004) and Jacobs (2005) highlighted the value of studying religious organizations for extending our understanding of the nature of accountability and the need for additional research to be conducted in this area.

2.3 Accounting and Accountability in Religious Organizations

In addition to studies promoting or critiquing the sacred and secular divide, there is also a cluster of research exploring accounting and accountability within religious settings more generally. Booth (1993) provides an excellent summary of practitioner literature, as does Lightbody (2000a) of academic literature. Much of the academic literature noted by Lightbody has a historical focus. Laughlin's (1988, 1990) seminal study of the Church of England sought to study accounting and accountability as a

situated practice. Carmona and Ezzamel (2006) note that up until 2002, most studies focused primarily on economic and functional matters. Such studies have tended to obscure how the religious context may help extend our understanding of accounting and accountability beyond the economic to include social, cultural and moral influences. Since Lightbody's (2000a) list of academic studies, other researchers have explored the roles of accounting and accountability in religious settings, including Carmona and Ezzamel (2005), Duncan and Flesher (2002), Duncan and Stocks (2003), Ezzamel (2002a, 2002b, 2005), Fonfeder et al, (2003), Irvine (2002, 2005), Parker (2001, 2002) and Quattrone (2004). In addition two special issues of *Accounting, Auditing and Accountability Journal* (2004, 17 (3); 2005, 18 (2)) and one special edition of *Accounting History* (2006, 11 (2)) were devoted entirely to exploring the interface between accounting and accountability and religious organizations. Some of these studies continued to use religious organizations to focus on economic issues (Duncan and Flesher, 2002; Duncan and Stocks, 2003), however, these more recent studies indicate a broader agenda at work. For example, Ezzamel (2002a, 2002b, 2005), Jacobs and Walker (2004), Kreander et al. (2004) and Quattrone (2004) avoid functional explanations and do not treat the religious setting as another example of an atypical non-commercial organization. As part of the increasing interest in the way that accounting and accountability intersects with religious matters, scholars began to challenge the adequacy of the sacred and secular divide as a research lens to explain the activities they observed within religious settings (Cordery, 2006; Espejo et al, 2006; Hardy and Ballis, 2005; Irvine 2005; Jacobs, 2005; Prieto et al, 2006). Still other researchers have sought to reenergise particular socio-political agendas within the literature by drawing on religious thinking and symbols (Gallhofer and Haslam, 2004; Tinker, 2004).

A common feature of this later research into religious organizations are the links drawn with the social and societal accounting literature that was also focused on moving that literature beyond functionally informed interpretations (Carmona, et al, 1997; Ezzamel, et al, 1990; Hoskin and Macve, 1986, 1988; Miller and O’Leary, 1987; Miller and Napier, 1993). The strength of Laughlin’s (1988, 1990) and Booth’s (1993, 1995) sacred and secular work was that they drew the attention of researchers to the centrality of religious beliefs when examining activities in religious organizations. However, as Hardy and Ballis (2005, p 240) point out, both writers did so by “marginalis[ing] other operational aspects of the organization.” By contrast, in their study of the Iona Community, Jacobs and Walker (2004, p 378) found that accounting and accountability practices are seen as “an integral component of their Christian practice”. The close integration between religion and accounting practices is noted by Ezzamel (2002a, 2002b, 2005) in his historical study into Egyptian funerary temples that found evidence of accounting practices being used holistically to combine the spiritual and economic aspects of the culture. Ezzamel (2005, p 29) noted that within the funerary temples, “accounting practices were part of an intertwined sacred/profane assemblage that did not recognise either dimension as discrete.”

Accounting research into religious organizations gained vitality from the literature that extended interest beyond the economic and similarly were influenced by research that sought to explore how accountability influenced individual and organizational hierarchies (Hoskin, 1996; Maltby, 1997; Roberts and Scapens, 1985; Roberts, 1991, 1996; Walker, 1998, 2003, 2008; Willmott, 1996). Maltby (1997), for

example, observed links between the technical applications of accounting and core social values, noting that religious beliefs were associated with personal self-examination and accountability. Similarly, in a study of accountability and use of accounting in nineteenth century middle class British households, Walker (1998) found that the social action of accounting was an important element of daily life. In particular, Walker observed that far from finding antipathy between religion and activities such as accounting, religious belief actually helped produce cultural and social attitudes preoccupied with self-examination. Walker noted that self-examination was,

implicit in contemporary Christian teaching due to the fundamental place within Protestantism of ‘casting up accounts’ with God’. (Walker, 1998, p 488)

Walker’s (1998) bibliographical resources also provided accounting researchers with an extensive body of evangelical literature showing that religious beliefs coexist with forms of self-examination and a strong sense of accountable communalism, a finding that surprised “later historians” (Noll, 1994, p 118). Seventh-day Adventism with its strong connections with nineteenth century evangelical thinking and Victorian culture (Butler, 1979, p 10) is an example of a religious community whose religious beliefs actually promote “self examination” and a “new mode of measuring the man” in their teaching of the investigative audit (Butler, 1987, p 201).

Quattrone’s (2004) study into the accountability and accounting practices of the Jesuits also found evidence of the coexistence of individual self-examination and accountable communalism that advanced the interests of the Jesuit order and ultimately the Catholic Church. Quattrone observed that

Nothing seems more powerful – and indeed, it was extremely successful than this system of individual accountability that was the base of a broader

organizational accountability, where the absolutism of God is fused with the individualism of the self. (Quattrone, 2004, p 660)

A key point that is drawn from Quattrone's study is that the observation of the fusion between accountability and religious beliefs would not have been possible if the study had focused only on accounting's economic role. Quattrone states

A strictly economic analysis of the nature and role of accounting as an instrument for allocating, monitoring, and administering resources within the hierarchical structure of the Society of Jesus would leave undiscovered important aspects of the Order to manage, organise, and account for multifaceted activities. The system of accountability devised in regard to 'accounting for sins' and 'accounting for the soul' would be left at the margin of the accounting history of the Jesuits. This history would therefore be limited to the technical aspects of the accounting systems devised to manage the Jesuit colleges, but would not offer insights for theorising on the emergence of accounting as an organizational and social practice in the Society of Jesus. (Quattrone, 2004, p 675)

Quattrone's study underscores the essential problem of the framework that compartmentalise activities into sacred from the secular and thereby divert attention away from an understanding of how religious values can influence individual and organizational activities.

2.3.1 Religious Beliefs

While recent studies have highlighted the potential richness and scope of accounting research in religious contexts, the research also indirectly challenged assumptions that religious values generally and Christian values in particular are intrinsically hostile to capitalism (Kreander et al, 2004; McKernan and MacLulich, 2004). Even more extreme are those researchers who seek to use religion to support the liberation, reform and enlightenment of accounting and accountability practices (Gallhofer and Haslam, 2004; Tinker, 2004). Tinker goes as far as to call on religion to critique capitalism:

Religion figures prominently in this paper, and it therefore (is) appropriate that we begin with the challenge that the paper presents to religions (Christianity and Islam). More than ever before, religion and Marxism need to suspend their mutual suspicion and join in a careful, interrogation of capitalism. If there is an “idealism” it is something shared by *some* Christians and Muslims – the ennoblement of Man-on-Earth. (Tinker, 2004, p 464 – emphasis given)

The problem with such a position is that it overlooks the complex ways that religion has always involved itself with the social. The critical accountants’ challenge to religion involves more than just an interrogation of capitalism, for these critical studies noted the role that Christian religion, particularly its Protestant variation, has played in providing the moral legitimacy of the capitalist system (Tinker, 2004). As Gallhofer and Haslam (2004, p 383) note, as a conservative force, religion has helped to “preserve an unjust and exploitative socio-political and economic order”. While critical accountants may wish to selectively harness aspects of religious belief and social action, the potential roles of religion in society are effectively being caricatured in these papers and implicitly assume a division between sacred and secular. Yet as Quattrone (2004) demonstrated, the Jesuit system of accountability had fused Protestant Reformation notions concerning the individual with Counter-Reformation ideology of Christian unity. Quattrone (2004) was thus able to contribute to the long running debate in sociology and socio-historical studies regard the connection between religion and capitalism (Novak, 1993; Weber, 2002) by noting how both Protestant and Catholic thinking were part of the same process, and helped to contribute to modern systems of management, accounting and accountability processes.

A key premise of the present study is that accounting and accountability practices within religious organizations are understood when one accepts that religious beliefs

are *sui generis*¹ to religious organizations. Troeltsch (1986) highlights the complex relationship between religion and civilisation and alerts researchers that even what may appear as being illogical and fragmentary to the external observer may be self-consistent:

Religion becomes a power in ordinary life only by taking up civilisation into itself and giving it special direction. But it always remains distinct from this civilisation; it is always more a formative than a creative force. The effects produced by it in the field of civilization may be illogical, fragmentary, having the character of compromise, but in itself it is self-consistent and definite; and just for that reason it possesses the capacity to mould other things without becoming identified with them, and to adapt itself to their changes without losing its character. The relation of a religious system to civilisation is always very complicated. (Troeltsch, 1986, p 89)

Troeltsch's observation also challenges accounting and accountability researchers to critically examine their own biases and to seek to understand the ambiguities, compromises and paradoxes between religion and the wider society (Stackhouse et al, 1995a). Reinhold Niebuhr explains:

Religion is at one and the same time, humility before the absolute and self-assertion in terms of the absolute. Naturalists, who accuse religion of either too much pride or of too abject self-depreciation, fail to understand this paradox of religious life. (Niebuhr, 1960, p 64)

In this context, the liberation theology framework used by Gallhofer and Haslam (2004) represents one thread, but not the only explanation in the Church's rich history of responses to economic systems and business activity. From the perspective of the churches, all economic systems would be found wanting in the context of God's transcendental ideal, so it is important that all systems are considered on their merits, including socialist systems (Novak, 1982a).

Christian theology does not privilege a particularly economic system; it is also clear that Christian institutions and theology has made a significant contribution to modern economic life. Weber's (2002) much debated Protestant Ethic and the rise of modern

capitalism drew the attention of researchers to the interplay of religion with concepts such as vocation, corporation development, law and stewardship (Berman, 1995; Landes, 1995; Novak, 1982a, 1982b; Stackhouse, 1987, Stackhouse and McCann, 1995, Stackhouse et al, 1995). In her study of a local church budget Irvine (2005) contrasted the positive contribution that accounting made to the church's spiritual goals, with the focus of much critical accounting research on accounting's oppressive power. Novak (1982a) argued that Christianity's engagement with Democratic Capitalism has achieved many positive social outcomes that would not have been achieved via Marxism and Liberation theology. While not all Catholic scholars agree with Novak's analysis, most consider the arguments have merit (Pawlikowski, 1986). While Novak (1982a, pp 35-41) contests Weber's (2002) emphasis on Protestant theology as the driving force behind modern capitalism, he nevertheless considers that Weber made a real contribution by observing how a "religious spirit" can give similar activities different cosmic and operational meanings across cultures and how commercial activities in particular can be imbued with a sense of religious conviction. These insights are critical for a new breed of accounting scholars who have adopted a non-reductionist outlook in their approaches to the study of business and accounting in religious settings.

Weber (2002) has alerted researchers to the links between religion and social action and to the endless possibilities of religion to influence and be influenced by social action. Initial research into accounting and accountability's relationship with religion had been constrained by economic and functionalist considerations; recent researchers are less constrained by ideological straight-jackets and have begun reviewing with fresh eyes the role of accounting practices in religious settings. Thus

far the most influential theoretical position in the literature has been the sacred and secular divide, a critique of which is essential for this study.

2.3.2 Limitations of the Dichotomy

The sacred and secular divide was introduced into the accounting and accountability literature by Laughlin in 1988 and 1990, being subsequently refined and extended by Booth in 1993 and 1995. The framework was developed for the purposes of assisting researchers to adopt more informed and sympathetic approaches to the study of religious organizations.

The research into the relationship between the SHF and Adventist church was considered so constrained by the theoretical implications of the sacred and secular divide during the initial literature search for this study that the researcher and one of his supervisors joined a small coterie of researchers who were probing the theoretical foundations and empirical support for the divide. Hardy and Ballis (2005) thus have contributed to critiquing and opening up other theoretical possibilities between religious organizations and their operational activities. They argued that while Laughlin (1988) and Booth (1993) contributed to the literature by identifying beliefs as a key explanatory factor in religious organizations use of secular practices, their theoretical observation that all religious organizations would use those beliefs to resist to various degrees the secular practices of accounting could not be supported. This is because rather than highlighting the role of religion, the model effectively strips the religious elements away by arguing that in effect religious organizations are no different than non-religious organizations (Hardy and Ballis, 2005). According to the sacred and secular model, the religious organizations view

accounting and accountability practices and processes as unhealthy intrusions into religious activity and while tolerated, to various degrees these intrusions create divisions of labour within religious organizations or are redefined and sacredized so as to become a tool for mission (Booth 1995). The problem with the formulation is that it “preclude(s) the possibility that accounting can play a role in the spiritual practices, spirituality and theology of religious organizations” (Jacobs and Walker, 2004, p 362). This was despite the growing evidence from a number of studies that showed that such connections existed (Irvine, 2002; Jacobs and Walker, 2004; Quattrone, 2004).

Hardy and Ballis (2005) also show that the divide lacks general applicability and fails to adequately deal with historical evidence that shows a strong affinity between accounting and accountability practices within marginalised sectarian communities, some of whom considered such practices as a gospel requirement essential for salvation (Faircloth, 1988; Flesher and Flesher, 1979; Fuglister and Bloom, 1991; Kresier and Dare, 1986). Booth (1995, pp 61-2) dismisses such findings as “atypical.” The empirical evidence from researchers who were promoting the sacred and secular divide remains unconvincing. It does not explain the fact that with few exceptions,

the sacred and secular co-existing in harmony, degrees of sacredness within religious functions, and individuals and groups occupying sacred roles but carrying out secular duties. (Hardy and Ballis, 2005, p 243)

Despite the limited number of studies, the evidence was mounting that the spirit inherent within religion’s interaction with social practices could not be compartmentalised into a sacred and secular divide.

Ezzamel's (2005) study tested the sacred-secular dichotomy even more by pointing out that within Egyptian funeral temples sacred practices were intertwined with the routine activities of daily life. While it may have been possible to interpret the accounting and accountability practices purely from an economic perspective, it was also possible from another perspective to view accounting as a unifying technology that linked the temporal and heavenly world, by bonding together the social, economic and religious elements of Egyptian life. Whatever view is taken, Ezzamel (2005) notes that the intervention of accounting would not be considered unwanted and irrelevant. However by not privileging the economic lens over the religious, accounting and accountability practices were able to offer perceptive insight into the wider tapestry of Egyptian life that would otherwise have been lost. Critically

Ezzamel notes that

More research on the linkages between accounting and religion, drawn from differing socio-political and economic contexts, is likely to contribute to the debate on the extent to which the thesis on the sacred/secular divide is sustainable. (Ezzamel 2005, p 49)

A study into the relationship between the commercially oriented SHF and Adventist church provides one of those contexts.

Cordery (2006), Espejo et al (2006), Irvine (2005) and Prieto et al (2006) further challenge the sacred and secular divide by noting its absence and by questioning the assumption that accounting and accountability practices in religious contexts can be considered as being secular intrusions. In their respective studies Irvine (2005) and Espejo et al (2006) found no evidence in support of a dichotomy of sacred and secular activities, but concur with Ezzamel (2005, p 29) that the sacred and "routine of daily life" are inextricably "intertwined." Moreover Milbank (1990) and Stackhouse (1987) have demonstrated the many ways in which Christianity has

provided the spirit which underpins Western Civilisation and how secular culture and religion have woven together as in a Gordian knot.

Taken on face value, the sacred and secular divide framework promotes a view that religious beliefs hold the key to understanding the role of accounting and accountability within religious organizations. In practice, the framework is not the best device to explain the role of beliefs. In their study into eighteenth century Spanish brotherhoods Espejo et al (2006, pp 132, 145) noted that there can coexist within the one organization “different perceptions on the sacred” and the subsequent role for accounting, with some brotherhoods perceiving that the sacred and secular were intertwined while others considering that all activities were sacred. Jacobs and Walker (2004) and Jacobs (2005) note that the central issue for researchers seeking to understand the relationship between accounting and accountability in a religious context is contingent upon how that relationship is perceived and understood by the religious adherents themselves.

The embryonic nature of the research into religious organizations has meant that little attention has been paid in the literature to research methods that embrace rather than ignore the beliefs of adherents, although some potentially fruitful approaches are emerging. Kreander et al’s (2004, pp 408-409, 418, 426) study into the investment practices of two UK churches uses what they describe as an “immanent critique” at both a “performative and theological level.” The authors do not describe in detail their research methodology, but indicate they adopted

... a form of analysis which draws on the stated values and beliefs of that which is being investigated. ... [The] critique therefore draws specifically on both organizations’ theology and practice.

Kreander et al (2004) draw also on the theologically informed accounting and accountability literature of Arrington and Francis (1993a, 1993b) and Schweiker (1993). The fact that these authors used the theological insights of R H Niebuhr to develop their insight into the moral dimension of account giving at both an individual and corporate levels is instructive (Hardy and Ballis, 2005). Hardy and Ballis (2005, p 246) similarly draw attention to Niebuhr's insights in their critique of the sacred/secular divide and highlight Niebuhr's distinction between "internal and external history" as a useful avenue for considering the relationship between religious belief and social action. Niebuhr (1941) does not preclude the impersonal analysis of belief and social action. His notion of internal history suggests that to understand the role of religious beliefs in accounting and accountability, researchers are challenged to approach the subject with an attitude that neither rejects outright the beliefs of others nor seeks to resolve the enduring tension between religion and society.

Perhaps the most significant aspect of Niebuhr's typology of social action is that it acknowledges the possibility of a diversity in the range of engagements between religious and community activity. Recognition of such diversity allows for the relationship between religion and social action to simultaneously pull in opposite directions:

Niebuhr's typology shows that far from attempting to resolve this tension by differentiating activities, attitudes, roles, values and beliefs into categories of sacred and secular, it is possible to embrace the tension as essential to religion, even though communities choose very distinct ways of balancing the two. (Hardy and Ballis, 2005, pp 251-252)

Niebuhr's (1951, p 230) challenge to researchers is to "seine out of the sea" examples of how religion and social action have been creatively blended. Carmona

and Ezzamel (2006) argue that this is best done in the accounting and accountability literature when the lens is not preoccupied with functional activity either empirically or theoretically (Ezzamel, 2000a, 2000b, 2005; Jacobs and Walker, 2004; Quattrone, 2004).

2.4 Accounting and Accountability

Roberts (1991) contends that accountability is a heterogeneous concept that is difficult to describe and define. Sinclair (1995) believes that accountability has chameleon-like qualities, is fragmented and subject to contextual reconstruction.

While the diversity of views within an object of academic study is often based on a long history of debate, this is not the case with accountability. Laughlin (1990) and Fowles (1993) noted that while accountability had become a buzz word in social policy literature in the 1990s, it barely attracted a mention prior to the 1980s.

The diversity and heterogeneous nature of the concept of accountability is based on the political and ubiquitous nature of its use across a wide range of activity and literature. While there are clear links between accounting and accountability, the terms are not synonymous; accounting practices do not adequately deal with the notion of accountability (Gray and Jenkins, 1993; Gray, et al, 1988; Laughlin 1990; Munro, 1996b; Roberts, 1991, 1996; Roberts and Scapens, 1985; Willmott, 1996).

Roberts bemoans the link stating,

The practical task is to recover accountability from the exclusive and apparently mesmeric grip of accounting. (Roberts, 1991, p 367)

Roberts does not question the role of accounting in the accountability process; indeed his work on how self and other are revealed through formal accounting, highlights the vital if sometimes overlooked role accounting plays in the accountability process

(Roberts, 1991, 1996; Roberts and Scapens, 1985). Roberts argues that 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). For while the rise of modernity has been linked with accounting practices (Weber, 1978), the evidence from the search for a broader accountability reveals that the wider application of often pre-existing accounting practices were adapted and harnessed to serve a modernist “culture of precision and control” (Hopwood, 1994, p 301). Hoskin and Macve (1986) have demonstrated that the antecedents of modern accountability are not confined to the keeping of financial accounts. In fact while the efforts to broaden accountability are still embryonic, they establish that accounting acts as a body of rules and resources and should be considered separate from accountability, that is, from the why and the way that accounting is used (Roberts and Scapens, 1985). Accountability as an activity is thus context dependent and associated with the development of modernity’s culture of calculability, control and precision (Burchell et al, 1980). The purpose here is not to engage in a broad debate across the literature, but rather to focus on how this literature can assist the endeavour to understand the complexity of the relationship that can exist within religious organizations between commercial and business activities and routine church-related activities.

Gray et al’s (1988) use of the terms right, left and centre to describe particular positions taken within the literature suggests the concept of accountability can carry political connotations. On the right are those who hold that corporate accountability is best served by looking after the shareholders’ interests, which would preclude them from having to bear the costs associated with social and societal accounting² and in some instances even financial reporting. Advocates of this interpretation also

would argue that social and societal accounting is typified by a lack of objective measurement and tend to serve as public relations tools (Benston, 1982, 1984; Den Uyl, 1984; Friedman, 1962; Mathews, 1986; Mulligan, 1986; Walton, 1983). On the left are those who consider that within the context of capitalism, social and societal accounting will always lack legitimacy and that the best use that can be made of such reports is to demonstrate the intractable problems associated with the capitalistic system (Laughlin, 1985; Puxty, 1986, Tinker 1984, 1985). The vast majority of literature however rests somewhere in the middle between the two extremes.

Advocates of this third category view accountability as “giving and demanding reasons for conduct” (Roberts and Scapens, 1985, p 447). This view of accountability imposes an order upon activities, events and behaviours at both individual and corporate levels, with Townley (1996, p 568) noting that “Accountability is constituted through the imposition of an acceptable or socially legitimated order on events.”

Critical to the growing understanding of accountability inspired by social and societal accounting is the conviction that the research lens similarly should not be constrained by economic and functional explanations as to how accountability practices and their reproduction occur in modern organizational and domestic contexts (Hoskin, 1996; Hoskin and Macve, 1986, 1988; Roberts and Scapens 1985; Roberts, 1991, 1996; Walker 1998, 2003, 2008; and Willmott 1996). Hoskin and Macve (1986, 1988) drew upon Foucault’s notions of genealogy and power/knowledge to link the emergence of accounting as disciplinary power with the emergence of the modern educational technique of the examination. Walker’s (1998) study is particularly instructive in drawing attention to the key role of an evangelical

movement in providing a moral basis for the accountability practices and patriarchy of nineteenth century British middle class families. Walker observed that religious, legal and cultural prescriptions helped shape the accounting and accountability practices of that social milieu in terms of personal relationships and the management of personal finances. Walker presented in great detail descriptions of how relations within the home and between marriage partners were influenced by the processes of accounting, thus illustrating the broader social reach of accounting and accountability. In a similar manner Quattrone's (2004) study into the accountability practices of the Jesuits demonstrated that this religious order was able to simultaneously provide a means for individuals to search *for* a personal understanding of God, which then provided a basis for that individual *to* account to God and also to the Jesuit organizational structures. The ability for the Jesuit system of accounting and accountability to find a moral basis and methodological unity for the apparently irreconcilable forces of individual and organizational accountabilities also, highlights how innovative studies into the accounting and accountability practices of religious entities can be. Quattrone (2004, p 675) concluded that Jesuit accountability could not be explained solely by drawing on economic explanations but needs to be understood by the "multiple interests around the absolutist project of the Catholic Church." The linking of accountability with religious morality highlighted by Walker (1998) and Quattrone (2004) refocuses our attention on the theologically derived arguments of Arrington and Francis (1993a, 1993b) and Schweiker (1993), who argued that account giving is a social and moral process that over time also contributes to shaping both individual and corporate identity. Drawing on Schweiker's (1993) argument to further explore the moral basis of social accounting, Shearer (2002, p 545) notes:

the very possibility of an enhanced “social accounting” presupposes fundamental challenges to our received notions of accountability, and consequently to the moral status of economic entities as well as the ethical presuppositions from which moral status derives.

However, despite the fact that moral considerations are now viewed as being requisite to the long term efficacy of social and societal accounting, the moral aspects of accountability remain “underdeveloped” (Shearer, 2002, p 245). Arguably one of the most effective ways to overcome that underdevelopment would be to examine how accountability is practised in religious organizations where the moral dimension is highly developed. While such studies are relatively few, those undertaken indicate potential to broaden our understanding of accountability.

2.4.1 Societal Accounting and Forms of Accountability

Accountability issues raised in the literature have relevance to the religious context (Hoskin, 1996; Laughlin, 1990, 1996; Roberts, 1991; Willmott, 1996). Laughlin (1990) and Roberts (1991), for example divide accountability into communal (Laughlin, 1990) or socialising (Roberts, 1991) accountability, and a form of accountability variously described as contractual (Laughlin, 1990) or hierarchical that is more functional and embraces formal structures.³ According to Roberts (1991), socialising accountability consist of an interactive and social process that typically flourishes in informal space and local contexts. Socialising accountability is unstructured, occurs outside formal reporting processes, is typically not recorded and occurs in casual encounters between individuals. According to Laughlin (1996), socialising accountability is less formal, structured and defined and occurs 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 are typically high trust environments. Laughlin

considers that such environments are reflected in the caring professions including education, health, social service and clergy. The distinction between socialising and hierarchical accounting is therefore potentially very useful in highlighting accountabilities within a religious context, the usefulness of the distinction is however stymied by Laughlin's (1996, pp 232-242) insistence on attributing potential clashes in the application of the different accountabilities with the sacred and secular divide. Laughlin argues that the sacred values that underlie the caring profession would resist "economic reason" as a "dangerous secularisation." Laughlin supports this interpretation by referring to his study of the Church of England where the clergy, in Laughlin's view, were sheltered in various ways from the secular activities of organization, administration and finance, with these activities becoming confined to enabling the sacred and limited *only* to this. The compartmentalisation of activities into secular and sacred observed by Laughlin would appear to limit the scope of socialising forms of accountability around religious values and to keeping the sacred and secular apart. All the same, Laughlin's distinction between socialising and hierarchical accountability remain useful, notwithstanding the limitations of his sacred and secular dichotomy.

By contrast, hierarchical accountability is typified by the bureaucratic nature of organizations and how individuals are both controlled and disciplined vertically within those structures by formal and defined relationships. Roberts (1991, p 355) notes that the hierarchical form of accountability helps to produce and reproduce individuals who are "nervously preoccupied with how (they are) seen". Accounting information systems play an important role in hierarchical accountability by making visible the activities and the individuals within the organization. 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). 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), although as could be anticipated 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 religious organizations. Jacobs and Walker (2004, pp 378-379) observed in their study into the accounting and accountability practices of the Iona religious community that while it is possible to identify both socialising and hierarchical forms of accountability, the “distinction between these categories are blurred” and do not “liberate or dominate” in the way that the classification may suggest. Jacobs and Walker (2004) further note that socialising 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. Jacobs and Walker (2004) indicate that religious communities provide ideal environments to examine socialising accountability. Hoskin (1996) considers accountability to be a hallmark of modernity not because it promotes corporate transparency but due to its links with individual self-examination. Hoskin along with his co-authors wrote a number of papers focusing on accountability and self-examination (Hoskin and Macve, 1986, 1988). Hoskin and

Macve (1986) traced the beginning of accounting's examination power to medieval religious beliefs and practices of confession, purgatory and inquisition, and argue that there was a shift in the understanding of accountability from a focus on external actions to a preoccupation with internal motivations, self-reflection and self-examination. Hoskin and Macve (1986) argue that over time the is and ought, of human behaviour was combined and conflated with the adoption of a range of new forms of writing and measurement techniques which prior to modernity had been considered a logical impossibility.

Hoskin and Macve's research along with others (Roberts, 1991, 1996; Roberts and Scapens, 1985; Willmott, 1996) influenced the more recent work undertaken by Quattrone (2004) and Walker (1998) who explored the role of religious belief in the process of self-examination while not excluding organizational accountability. The links between religious belief and self-examination highlighted by the historical studies of Hoskin and Macve, and Walker, were further supported by Hardy et al's (2007) study into the Adventist belief system that revealed that far from providing any evidence of friction between sacred and secular activities, Adventist theology actually draws upon the language and images of accounting to describe the pivotal Adventist belief in a literal heavenly audit and accountability process that measures and controls Adventist behaviour (Butler, 1987). Hardy et al (2007) showed that in their teaching regarding the investigative audit, Adventists were able to interweave the pastoral power of internalised visibility and self-examination with the notion of governmentality based on the techno-rationality of administration, rules, regulations and bureaucracy (Foucault, 1991).

Hoskin's (1996) contribution to the literature has been significant. However his definition of accountability potentially constrains study into the relationship between religious belief and accountability by his insistence that the notion of stewardship is linked to responsibility and perfunctory accounting processes.

Hoskin states,

Accountability is more than, indeed systematically different from, responsibility. . . Responsibility implies stewardship, the proper conserving and use of things charged to you, whether by an owner, a sovereign, or a metaphysical authority such as God, or the responsibility entails the discharge of one's charge. . . Its technical accounting form is therefore the ancient charge discharge system of stewardship. . . Accountability, on the other hand is in its operation and scope more total and insistent. Not only are duties specified, but the means of evaluating the level of their performance is already prescribed, in implicit or explicit norms, standards and targets of performance . . . One is no longer just a steward of goods, monies or powers, answerable for past performance and present circumstances. Accountability ranges more freely over space and time, focusing as much on future potential as on past accomplishments, connecting and consolidating performance reports to plans and forecasts. (Hoskin, 1996, p 265)

Hoskin demonstrates that an important feature of modernity is the ubiquitous application of the process of calculability to self-examination. It is worth noting, however, that researchers into the relationship between religious beliefs and a range of secular activities use the term *stewardship* to describe the relationship between the two. In recent accounting literature focusing on religion, the terms stewardship and accountability are used interchangeably (Cordery, 2006; Irvine, 2005; Jacobs, 2005; Kreander et al 2004).

One of the key trends that is emerging from the literature is that accounting and accountability in a religious context can be viewed either positively (Cordery, 2006; Irvine, 2005; Kreander et al, 2004; Jacobs and Walker, 2004) or negatively (Berry, 2005; Espejo et al, 2006; Walker, 1998). Jacobs and Walker (2004, p 379) concluded in their study of the Iona religious community "that [in] the nature and role of

accountability practices, the issue of their liberating/domination potential remains an empirical one.” The capacity of religious organizations to embrace similarities and differences on a wide range of issues including accountability, poses a real challenge for researchers external to the religious communities they are studying.

One possible explanation for how accountability is perceived within religious communities is Arrington and Francis’ (1993a, p 105) observation that “Accounting is saturated with moral implications.” Despite its limited application in the literature thus far, theologically informed research has used the work of Arrington and Francis (1993a, 1993b) and Schweiker (1993) to note that accountability within church investment programs also is “saturated with theological values” (Kreander et al, 2004, p 417). For example, recent research into how religious organizations balance their religious belief and organizational realities has rekindled interest in what Shearer (2002) has termed the broader accountability of social accounting based on moral and ethical considerations. Arrington and Francis (1993a, 1993b) and Schweiker (1993) used insights drawn from H R Niebuhr to argue that the broader accountability required in social accounting was based on hermeneutic and discursive practices. Schweiker (1993, p244) notes that “giving an account is an intrinsically social act,” which is unavoidable both at an individual and corporate level. Schweiker (1993) accepts that the accounts given by corporations and individuals are not analytically equivalent. He considers that the act of account giving is from a corporate perspective unavoidable and actually plays a role in shaping corporate identity over time. Importantly, although corporate account giving can be motivated by self-interest, such account giving must go beyond unadorned self-interest to include social relationships. Schweiker explains:

social (sic) responsibility is unavoidable inasmuch as a corporation seeks to give an account of itself to others. It fails to do so at the cost of its own identity. The issue, then, is not if one is socially responsible, but how that responsibility is exercised or neglected by the corporation. (Schweiker 1993, p 246)

Accordingly, recent accounting and accountability research notes that the “religious impulse” that inspires insight into the moral dimension of accountability must be preserved (McKernan and MacLulich, 2004, p 356). The critical point is that accounting and accountability research that is morally and ethically informed and is attuned with the broader accountability of social and societal accounting (Arrington and Francis 1993a, 1993b; Schweiker 1993; Shearer 2002) has the capacity to focus research into the relationship between accounting and religion beyond the economic while simultaneously providing links with theological thinking.

It would be expected that the close interdependence and interaction of religion with secular society would result in a complexity of views of accountability. For instance in their eighteenth century study of Spanish brotherhoods Espejo et al (2006) found that while account giving was sacred, accountability was profane. Berry (2005) noted that accountability within the Church of England consisted of a complex mix of covenant, constitution and contract, which in practice translates into little accountability. This is in part due to the varied interpretations of accountability over many centuries which

created an institution capable of holding within itself similarities and differences. It has done this by “emerging” into an ecosystem of varied organisational forms and possibilities in the context of the ordained and lay membership, similar to the structures observed by Parker (2002). (Berry, 2005, p 265)

Kreander et al (2004, pp 416-418) on the other hand observed that in the investment practices within the Methodist and Church of England in the UK, accountability was

saturated with theological values that they term “applied faith.” The authors used the term “applied faith” to describe the active ethical engagement of those particular religious communities with investment practices: even to the point of “reconceptualis(ing) ... the churches sacred agenda” and by having the secular practice of investment informed by theology. This interpretation contrasts with Laughlin’s (1996) view that finance is *only* used for enabling purposes within a church environment.

Parker (2001) observed that the limited number of studies exploring how accountability works in practice within religious organizations revealed broader and more innovative notions of accountability than would be possible in commercially focused organization. Studies by Ezzamel (2005), Jacobs and Walker (2004), Quattrone (2004) and Walker (1998) into the role of religion within organizations and church followers have adhered broadly to Roberts’ (1991) socialising and hierarchical classification of accountability. Other researchers, however, have ventured beyond Robert’s classification. In his study of the Church of England in the UK, Berry (2005) identified forms of accountability, which he labels covenantal, constitutional and contractual. In their study into the investment practices of the UK Church of England and the Methodist Church, Kreander et al (2004) also identified a covenantal form of accountability and distinguished it from contractual obligations associated with hierarchical forms of accountability and social contract philosophy based on stakeholder theory. Kreander et al (2004) link their notion of covenantal accountability with Arrington and Francis’ (1993a, 1993b) and Schweiker’s (1993) view’s of account giving as a universal social imperative and also the notion of a Christian understanding of stewardship.

Importantly research into the relationship between accountability and religion such as that by Quattrone (2004) and Ezzamel (2002a, 2002b, 2005) which focused on the multifaceted nature of the relationship has highlighted aspects of the relationship that would otherwise be left at the margins. These studies have shown that accountability cannot be seen as having a unitary rationale and that study into the conditions that promoted the emergence of accounting and accountability cannot be confined to the functional or the modern era. It is of interest that while studies into accountability within religious institutions has been shown to contribute much to our understanding, few use the term stewardship or when they do use it, stewardship features as a synonym for accountability. However the term stewardship has the capacity to remind us of the broader accountability literature of social and societal accounting and of the moral nature of the discourse that is being undertaken, in ways that the term accountability may not be able to.

2.4.2 Stewardship and Accountability

In the accounting literature as a general rule, the term stewardship acquires functional and instrumental connotations concerned with responsibility accounting, charge and discharge and the misappropriation of funds. Accountability is thought to include reference to stewardship functions but renders the term accountability “more total and insistent”(Hoskin 1996, p 265) and allows meaning to “roam more freely over space and time” (Bovens, 1998; Broadbent and Guthrie, 1992; Findlay, 1993; Finn, 1993; Keasey and Wright, 1993; MacDonald and Beattie, 1993; Miah 1998; Parker and Guthrie, 1990). What is at issue is not so much that in the accountability literature stewardship occasionally is used as a pejorative, but the fact that it is often

overlooked altogether. There are however earlier references in the literature that do not confine the notion of stewardship to the functional aspect of accountability (Aiken et al, 1975; Birnberg, 1980; Chen 1975). Birnberg (1980), for example, uses the term to describe both the charge and discharge aspects of accounting and its calculative ability to control resources. Birnberg (1980) recognises that there are different stewardship relationships, custodial stewardship, asset utilisation stewardship and strategic stewardship. He acknowledges the existence of accountings other than custodial accounting and the need for such accounting to respond to the changing notions of stewardship (Birnberg, 1980) and considers that while stewardship lies at the core of the financial disclosure, that greater communication on other views of stewardship and accountings should be pursued.

Birnberg (1980) states,

What now remains to be done is to bring together the stewardship notions and the accountings to ascertain what the quest for added disclosures would appear to mean in that context. (1980, p 74)

At no time does Birnberg (1980) suggest that stewardship is unable to deal with wider accountings, although he notes that social accounting in the United States had not been incorporated in traditional reporting based on custodial stewardship (Birnberg, 1980). While those involved in pursuing social and societal accounting may have been less than enamoured of such reporting, this was not as Birnberg (1980) has argued due to the inability of stewardship to reflect broader accountings. Five years earlier in the *Accounting Review* (Chen, 1975) outlined the nature, historical development and reporting implications of stewardship. Chen (1975, p 534) notes that “Stewardship is an old concept with a strong religious, particularly Christian, implication.” Chen (1975) argues that in this old concept of stewardship that along with being responsible to God, the primary stewardship was communal

based on social responsibilities. More than this, stewardship developed according to Chen (1975) via feudalism and manorial stewardship around property rights and owner/agent relationships. In both systems, however, Chen (1975) shows that primary stewardship based on social responsibility remained a key feature of the system. Only under capitalism was primary stewardship abandoned creating classical stewardship. Under classical stewardship,

the secondary stewardship responsibility, is assumed by the agents to their owners, while the primary stewardship responsibility is assumed by neither of these two parties. (Chen, 1975, p 537)

Chen thus proposes that because of the diverse nature of ownership within the modern capitalistic system, that management has become not only the steward of the owners but also of society. Under a form of stewardship that Chen (1975) terms managerial the term stewardship conveys a return to primary stewardship and the communal model.

While some may dispute aspects of Chen's models, what cannot be disputed is the notion of primary stewardship being the basis of social and societal accounting. Chen argues:

As a steward, management's performance should be evaluated in terms of both profit and the accomplishment of social objectives. The latter aspect has long been neglected by the accounting profession. It is the responsibility of the accountant, therefore, to measure, report, and audit management's social performance. (Chen, 1975, p 542)

Chen's paper provides one of the earliest calls for accountants and corporations to provide a broader accounting including social and societal accounting reports.

Critical to that call is the moral and social elements of stewardship. This use of stewardship's deep social foundations evoke Arrington and Francis's (1993a, 1993b) and Schweiker's (1993) arguments concerning the social nature of account giving.

The issue here is not whether stewardship or accountability is the most inclusive term but rather the contribution that the term can make to discourse on a broader accounting.

If the term stewardship is absent in mainstream accountability literature, this is not the case in accounting research into religion. It is difficult to imagine how an internal history of (Christian) religion could occur without a reference to stewardship. As Jacobs (2005, pp 206-207) contends “the link between accounting and Christian morality... (is) found in the doctrine of Stewardship” and that it is this doctrine that “challenges a simple or structuralist division between the religious and financial”. Irvine (2005, p 220) argues that stewardship is often defined narrowly in the accounting literature but is much broader than the “religious and charitable.” Irvine argues that stewardship within Christian traditions entails a:

call to action, a journey on a mission. Belief is not just inert but active, i.e. it does not exist as an end in itself, but as an opportunity for service and action. (Irvine 2005, p 220)

Typically however the term stewardship is used in a seamless fashion with accountability with considerable slippage between the two terms (Barlev, 2006; Cordery, 2006; Kreander et al, 2004). This is demonstrated in the way that Kreander et al (2004, p 414) describes the Christian view of stewardship as “an accountability relationship which transcends all others.” While the literature may benefit from work on outlining the differences that may exist between stewardship and accountability, including why Birnberg’s (1980) and Chen’s (1975) link between stewardship and broader accounting have not been taken up within the social and societal accounting literature. The key point is that the term stewardship has with time become part of the language of religion to describe critical aspects of a religious

community's belief and social action (Cordery, 2006; Irvine, 2005; Jacobs, 2005; Kreander et al, 2004; Prieto et al, 2006).

Christian scholars continue to explore the relationship that exists between belief and social action and the inability of civilisation to separate them (Niebuhr, 1951; Novak 1982a, 1982b, 1993; Stackhouse, 1987). Critical to the social action associated with belief is the notion of stewardship, vocation and covenant (Stackhouse, 1987). While the broad notion of Christian stewardship has been trivialised or narrowly used, its symbolic power and broader foundation remains. Evidence for this can be seen in the way that the environmental movement has embraced the notion of stewardship, for as Hall (1990) argues the symbol of the steward can be compared and contrasted with the calculating technological mindset devoid of all notions of transcendent meaning. It is clearly not possible for a broader accounting to rest upon the law alone, for to do so would destroy the social and moral basis of such accounting. Attempts to rely upon the law would as Solzhenitsyn suggest lead to spiritual mediocrity, paralysis and prevent us from seeing the scale and meaning of events (in Gustafson and Johnson, 1982, p 323). Stewardship by focusing on the moral and covenantal aspects of a broader accounting can help us to better grasp the scale and meaning of events. Stewardship is for many the symbol of a broader accounting and remains pregnant with possibilities (Schelling referred to in Adams, 1986, p 127).

2.5 Conclusion

The present chapter set out not to explore in detail the vast literature on accountability, but specifically to present an overview of a resurgence of interest by accounting and accountability researchers in religious organizations. The chapter has

highlighted a number of pointers that serve to establish the broad contours that mark out the context of the present study. The chapter has noted that the field of accounting and accountability in religious settings is relatively under-researched, and more importantly, that the model that has dominated the research accounting and accountability researchers has been Laughlin and Booth's 'sacred and secular divide'. Against this backdrop of the sacred and secular dichotomy, the chapter has drawn attention to a cluster of studies by accounting and accountability researchers into religious organizations that are critical of the Laughlin and Booth model, are more eclectic in theoretical outlook and aim to better understand links between beliefs and social action.

The present study effectively represents a critique of the sacred and secular divide by exploring the complex and subtle ways that the secular intermesh with the sacred, and in particular, to illustrate how the secular processes are being manipulated and managed to promote sectarian religious values. SHF presents a certain vantage point from which one could better understand how accountability processes intersect with religious practices and biases.

¹ Unique or peculiar.

² Refer to Chapter 5, section 5.1 where the terms social and societal accounting are distinguished in this study.

³ This study will use the terms socialising and hierarchical as coined by Roberts (1991) rather than Laughlin's (1990) terms communal and contractual. Conceptually as defined by Roberts and Laughlin the terms are interchangeable.

Chapter 3

Researching a Fragmented Public Accountability

3.1 Introduction

This study consciously adopts a sociological perspective drawing on the outlook of Max Weber, although the emphasis is on the spirit of Weber's critique rather than on his methodology of ideal types. One of Weber's contributions to sociological research is that he has drawn attention to the role of religious institutions in shaping social action (Weber, 1978, 2002). The accountability and stewardship relationship that exists between the Sanitarium Health Food Company (SHF) and the Adventist church provides an opportunity to examine further links between religious belief and social action.

This chapter begins by discussing qualitative research in general and then links with qualitative research in the accounting and accountability literature. The accounting and accountability literature draws attention to the potential for qualitative research to broaden our understanding of the role of beliefs in the internal history of religious communities and associated social actions, including accounting and accountability. The chapter details the research methods and analyses employed in this study. Finally, a case is made for the reliability and validity of the methodologies outlined including the use of a narrative framework for presenting the findings.

The research methodology adopted for this study combines historical and field approaches, while the study is ethnographic in orientation the methodologies are

eclectic in application. The specific research tools used were chosen specifically to facilitate access to “back stage” information about organizational processes that are concealed from view by “front stage” reports about the same activities (Goffman, 1959, pp 107-112). In effect, the present study of SHF’s financial reporting is about organizational impression management. The research methodology had to be flexible and adaptive in order to navigate between official narratives constructed for public consumption and a second version of the same events communicated to church members.

3.2 Qualitative Research

The present study is primarily qualitative in focus. The methodology that this study employs accepts that methodological considerations ultimately are underpinned with philosophical considerations (Bryman, 1988). These philosophical concerns go to the heart of a research’s ontological and epistemological positions and denote a particular world view (Creswell, 1998). This research concurs with Creswell’s view that,

Qualitative inquiry represents a legitimate mode of social and human science exploration without an apology or comparisons to quantitative research.
(Creswell, 1998, p 9)

Philosophical assumptions are inextricably linked to research procedures; however, it is imperative for a study seeking to understand the financial practices of an organization that the research also needs to be located within the traditions of the accounting and accountability literature.

Bryman considers that qualitative research seeks to describe and analyze culture from the perspective of those humans and groups that are being studied. A fundamental aspect of qualitative research is a

commitment to viewing events, action, norms, values, etc. from the perspective of the people who are being studied. (Bryman, 1988, p 46)

Importantly this suggests that such research goes beyond merely describing physical phenomena to include people's perceptions and perspectives. Interest in the individual's view requires researchers to be cognizant of the complexity of social structures within society and accepts the contingent and temporal nature of any conclusions drawn in regard to those structures. Silverman (1997) argues that social science research needs to go beyond the subjectivity of individual experiences by linking and contributing to our understanding with knowledge of the social structures and institutions that shape individual experience. Accordingly, this study is conducted within the qualitative research tradition of thick description (Geertz, 1973) which seeks to contextualize experience and can therefore be distinguished from thin description which does not provide depth to a given context (Denzin, 1989).

Qualitative researchers insist that people and events are only fully understood in the context of their wider social and historical milieu. For this reason qualitative research does not reduce people, settings or groups to variables, rather these are studied "holistically" to be understood and explained contextually (Taylor and Bogdan, 1984, p 6).

The study recognizes that while qualitative research is an umbrella term, for researchers in general who employ qualitative techniques and methodologies, the approach assumes that social processes and data are symbolic, contextually embedded, cryptic and reflexive. Description is thus an essential aspect of qualitative

research and simultaneously aims to limit reductionism and artificial abstraction (Van Maanen, 1979). Qualitative research responds to Weber's call for *verstehen* (Weber, 1978) by linking social action with meaning and views humans as both creators and managers of social action. Essential to *verstehen* is the challenge to understand the symbols, language, beliefs, rituals and myths that make up culture (Pettigrew, 1979). The methods of qualitative research enable the researcher to explore multiplicity of meanings that influence individual action as well organizational behaviour.

Llewellyn (2003) provides insight into the theoretical role that qualitative methodology can play in research. Llewellyn (2003, p 662) considers theory as central to the claims of qualitative research noting that "Theorization (or conceptual framing) is the "value-added" of qualitative research." She argues that theory as understood within the qualitative traditions are not an abstract notion but are used and reproduced in social practices in a range of different ways. She states,

"Theories" do not just reside in libraries...; they are used whenever people address ambiguity, contradiction and paradox... (2003, p 665)

Llewellyn considers that qualitative methodology is ideally placed to deal with the theories of social practice by recognizing that social data is theoretically informed and "pre-theorized" by the human agents engaged in social practices and action. The challenge for qualitative researchers is to ensure that they understand these agents' theories as part and parcel of the social practices being researched. Laughlin (1988, 1990) and Booth (1993, 1995) similarly argued that religious practices associated with accounting and accountability should not be divorced from religious beliefs and values. Niebuhr (1941, 1951) from a different perspective concurs, indicating that

religious communities' practices can only be fully understood and explained when the internal history of the community is entered into.

Niebuhr's link between religious practices and a religious community's internal history parallels Geertz's (1973) ethnographic tool of "thick description" as a means of understanding how values, beliefs and motivations (theories) of individuals and organizations relate to action and social practices. Llewellyn (2003) uses Geertz's notion of "thick description" to demonstrate the close but often ignored connections between theory and everyday life. A key theoretical concept that qualitative researchers have endeavored to explore is how the notion of accountability is produced and reproduced in practice. Llewellyn (2003) argues that rather than searching for general and replicable theory in regard to accountability, the term should be explored in the context of localized meaning. Qualitative research provides the opportunity to offer theoretical insight into such localized contexts by considering how emergent and discontinuous social phenomena, while independent, may co-exist and provide the seeds for accountability becoming what it currently is not. This thesis accepts an intertwining and interdependency between the chosen methodology of the thesis and the theoretically informed nature of the data that has been collected. It is the pre-theorized nature of this data that becomes the internal history and thick description that surrounds insight into the accountability practices of SHF.

This study draws on an array of data to fill out the complex setting of the Seventh-day Adventist community in which SHF operates. The research methods include analysis of published and unpublished primary documents (company reports and

minutes of meetings). It will draw on available secondary sources concerning the Seventh-day Adventist church, including formal church communications, church publications and reports in a host of regional and national newspapers both in Australia and New Zealand. Central to this study is data drawn from in-depth interviews and informal discussions with key individuals in the Adventist organization and SHF. In keeping with the qualitative traditions, theorization will occur in tandem with the data collection, indicating a process of inductive analysis (Bryman, 1988).

3.3 – Ethnographic Research

Accounting and accountability literature studies that adopt an ethnographic approach are limited (Ahrens and Dent, 1998; Dent, 1991; Irvine, 1999; Power, 1991). Despite the growing popularity of field research within accountability and accounting literature (Ferreira and Merchant, 1992), the links between ethnography and field research have tended to be ignored or overlooked. One explanation for this neglect may be that ethnography has been positioned clearly on the qualitative side of the fault line between qualitative and quantitative methodologies. To take up an ethnographic study clearly requires an acceptance of qualitative research assumptions as well as its methodologies (Llewellyn, 1993).

Drawing on the work of ethnographer Geertz (1973), Ahrens and Dent (1998) argue that there are few ethnographic case studies in accounting because the primary focus has been on theoretical constructs and not story telling. The terms story and narrative as means of reporting findings are typically considered in the pejorative within accounting literature due to strong positivistic traditions. Geertz (in Ahrens and Dent,

1998, p 9) contends studies should not be denigrated because they are reported as stories because to do so is to confuse “making things out” with “making things up.” Llewellyn (1993, 1999) argues that while accounting researchers have embraced the ethnographic methods of data gathering they have eschewed the ethnographic method of analysis and presentation. She challenges qualitative accounting and accountability researchers to embrace more fully the output and methodology of ethnography.

This research draws upon the spirit of ethnographic methodology together with historical analysis to tell the rich story of SHF accountability. Ethnography eschews reductionism, and rather than reject religious beliefs as being irrelevant to accounting, it accepts beliefs as part of the religious community’s internal history (Niebuhr, 1941, 1951). Ethnographic methodology thus presents as an ideal means by which to examine the nature and practices of SHF accountability by giving a central focus to Adventist beliefs and teachings (Laughlin, 1988, 1990; Booth, 1993, 1995).

Bryman (1988, p 53) explains that the term ethnomethodology was coined by Garfinkel (1967),

to denote an approach to the study of social reality which takes people’s practical reasoning and the ways in which they make the social world sensible to themselves as the central focus.

Ethnomethodology incorporated many of the assumptions of the phenomenological ideas of Schutz to explore phenomena as far as practical in their natural setting. Recently research within this tradition has been termed constitutive ethnography. Data gathering typically seeks to better understand specific situations, focusing on

understanding the detail and make provision for theory to emerge from the research data (Adler and Adler, 1998). Hammersley and Atkinson (1983, p 178) use the term “ethnoscience” to describe the process of listing, sorting and interpretation of specific semantic terms used by a particular cultural group. Central to the ethnographic enterprise is the concern to understand the meaning of action and events from the perspective of the people being studied (Spradley, 1980). Ethnographers are interested in people and their lived institutions and seek to understand the uniqueness of both as well as their commonalities (Stake, 1995).

Bryman’s (1988) view that the fundamental characteristic of qualitative research is a commitment to understand the world from the perspective of the people being studied is a tradition that runs deep within ethnography. However the emic (internal) perspective is not to be overemphasized; it takes into account the etic (general) perspective of the emic as presented by the researcher. The final product of the ethnographic project,

is a holistic cultural portrait of the social group that incorporates both the views of the actors in the group [emic] and the researcher’s interpretation of views about human social life in a social science perspective [etic]. (Creswell, 1998, p 60)

The tension that exists between the emic and etic viewpoint often tempers more extreme views of ethnography. While the emic perspective is at the heart of much ethnographic research, ethnographers do not enter the field with their minds already made up but with an open mind. Ethnography as a social science calls on the researcher to maintain a position of marginality throughout the research. The ethnographer, in a sense, is both insider and outsider, intellectually poised between familiarity and strangeness, social friend and stranger (Hammersley and Atkinson, 1983). The tension between the emic and etic perspective is better seen as a

continuum of styles and levels of analysis between which the researcher can exercise choice (Fetterman, 1989). Silverman (1997) points out that the political biases and value judgments of researchers can intrude in the research; etic analysis enables researchers to separate value judgments from detached scholarly assessment of social groups and communities and thus limit the romantic and humanistic tendency to argue that the world should only be studied from the perspective of the individual. Llewellyn (1993) admonishes that the subjective and objective must be brought into balance.

It is within those ethnographic traditions that the present study has sought to understand SHF's accountability and stewardship relationship with the Seventh-day Adventist Church. While the research seeks to understand the notion of accountability at both the individual and institutional levels, it has gone beyond the emic viewpoint. As the SHF is a commercial operation owned and controlled by a religious organization, its accountability can be understood from the perspective of the participating community or from the perspective of the general public. This research endeavors to describe, interpret and analyze the tension between these two accountabilities.

Ethnography thus does not seek to escape from its cultural boundaries, for such a position is not possible (Spradley, 1980). On the contrary, it seeks to record the widest possible views in any particular setting. The approach enables the researcher to set aside their narrow cultural biases and socially acquired ethnocentrism to examine a setting from the point of view of the subject. Ethnography does not seek to iron out apparent inconsistencies from the data, but expects to find ambiguity,

uncertainty and alternative realities and seeks to describe those realities in their own terms. Ethnographic research features centrally in much of the case study research within the accounting and accountability literature (Ferreira and Merchant, 1992; Llewellyn, 1993, 1999, 2003; Parker, 1994, Power, 1991). Its broader methodological intent however has not been as widely accepted or used by accounting researchers. One could argue that the use of ethnography within accounting and accountability research is the logical choice in response to the calls by Burchell et al (1980), Hopwood (1978), and Tomkins and Groves (1983) to describe accounting practices *in situ*.

Ethnography embraces a methodology that has clear strengths within the social sciences in dealing with the lived circumstances of subjects. Reasons for ethnographic research remaining marginal within the accounting and accountability literature are complex. The reason for the low uptake of the ethnographic approaches is possibly that researchers find it difficult to analyze and present the research findings in a quasi-positivistic manner to conform to dominant expectations and still claim to be conducting ethnography.

Jonsson and MacIntosh's (1997) study of trust illustrates well the usefulness of ethnographic research within accounting and accountability. Jonsson and MacIntosh note that arriving at an understanding of trust is essential to the accounting discipline and indicate that the best means of researching this concept is by using ethnographic research and in particular to employ a narrative format to report the findings. They indicate that the methodology offers an opportunity to present thick description in context with an interpretation focused on bringing textual order to the categories,

symbols and rituals discussed. The present study of accountability is comparable with Jonsson and MacIntosh's (1997) ethnographic study of trust. Researchers within accounting and accountability who use an ethnographic approach are not able to appeal to a rich methodological history as in some other social sciences. This study aims to make a contribution to the accounting and accountability literature by using an ethnographic approach to examine the accountability and stewardship practices of the SHF.

Some ethnographic studies are longitudinal in scope to capture a sense of change over time among the groups or settings they study. Other ethnographic studies adopt a more limited timeframe or a micro focus (Creswell, 1998; Fetterman, 1989; Hammersley and Atkinson, 1983). Hammersley and Atkinson (1983) argue that while micro research is probably more appropriate for ethnography, the methodology also can make a contribution towards greater understanding of longer periods. The present research is narrower in orientation limited to examining the accountability of one organization – the SHF. While the present study focuses on only one organization it provides a vantage point from which to examine the organization's unique history, culture and beliefs.

Ethnography is particularly suited for researching activities that carry strong symbolic meanings as stewardship carries in religious organizations. Ethnographers seek to understand the symbolic values that help understand and describe a culture. Symbols condense expressions of meaning and evoke powerful feelings and thoughts. Laughlin (1988, 1990) and Booth (1993, 1995) believe beliefs are pivotal for understanding accounting and accountability practices in religious organizations

and, according to Saliba (1974) ethnography is an ideal approach to study activities tied up with religion. The study of symbolic activity is so influential within the ethnographic tradition that some ethnographers are known as symbolic interactionists (Bryman, 1988). While the present research is not explicitly linked to symbolic interactionism per se, it is indebted to those traditions by recognizing the importance of symbols within the concept of culture.

3.4 Historical Research

The present study makes extensive use of published and unpublished documents relating to SHF and Adventist community over the period of the study. Use of archival material is the hallmark of accounting historical methodology (Carnegie and Napier, 1996; Miller and Napier, 1993). Walker (2004, p 5) notes that use of archival data is “the activity which most distinguishes historians from other researchers in accounting.” While the use of archival sources may be a distinguishing feature of historical research into accounting, what actually constitutes archival sources has provoked considerable debate amongst accounting historians and has contributed to the emergence of a distinct accounting historiography (Carnegie and Napier, 1996; Napier, 2006; Parker, 1997; Parker, 1999; Previts et al, 1990b; Walker, 2004). At the heart of the debate is the legitimation for engaging in historical accounting research and the researcher’s relationship with the archive (Walker, 2004).

From the mid 1980s to 1990 critical differences began to emerge between traditional and new accounting historians. Traditional accounting history was identified with a narrative approach concerned with describing technical events in a manner that was criticized as being atheoretical and uncritical. Traditional accounting history was

typically focused on economic and private sector organizations (Carnegie and Napier, 1996; Hopwood, 1985; Previts, 1990a, 1990b). Napier (2006) argues that the uncritical acceptance of economic explanations by traditional accounting historians would continue to marginalise historical research:

Whatever core concept was adopted as the 'essence' of accounting, historical researchers effectively endorsed the view that past accountings differed from present accountings only on the surface: the deep purpose and structure of accounting was seen as universal. (Napier, 2006, p 452)

Some historical accounting researchers endorsed this traditional approach, however others adopted a broader research agenda that viewed accounting not as a neutral technical activity but one that had to be understood in a wider social context. Burchell et al (1980), Chua (1986b), Hopwood (1983), and Previts et al (1990b) contend that because accounting both responds to and is shaped by its social environment, it is also capable of influencing and being influenced by that environment in unexpected ways. This broader research agenda became an important fault line between traditional and new accounting historians.

In addition, new accounting historians adopted research techniques, methodologies and theoretical assumptions derived from the social sciences and did not confine themselves to the constrained and critically naive assumptions pervading historical studies into accounting up to that time (Previts, et al, 1990a). New accounting historians were particularly attracted to critical theory including the wide use of Foucault and Marx (Carnegie and Napier, 1996; Previts et al 1990a, 1990b). The result was that between 1985 and 1990 a series of influential historical papers appeared that has widened the general accounting discourse and challenged traditional understanding of accounting's past. Particularly influential were a series

of papers that drew upon Foucault's insight into modern society's penchant to engage in disciplinary and calculative activity. This broad approach to accounting research both contributed to and was influenced by the emerging understanding of social practices of calculation and control. New accounting historians thus challenged the hitherto dominant role of economic explanations for understanding the emergence of accounting and accountability practices (Hopwood, 1987; Hoskin and Macve, 1986, 1988; Loft, 1986; Miller and O'Leary, 1987, 1990). Willmott (1986) examined the accounting profession through the sociological lens of professionalism. Armstrong (1987) adopted Marxist labour process theory to present an alternative explanation to the use of standard costing within complex organizational structures. Hoskin and Macve (1986, 1988) used Foucault's notion of disciplinary power to trace the rise of the calculable self through social institutions such as the church, universities and military academies. Miller et al (1991) were thus able to argue that research by the new accounting historians was challenging traditional conceptions of accounting history and setting the research agenda.

New accounting historians' alternative explanations of accounting and accountabilities practices provoked a reaction from traditional historians. Nowhere was this more obvious than in the area of how the accounting and accountability archive should be defined. For as Carnegie and Napier note,

one of the main contributions of the new accounting historians has been to widen the archive beyond the obviously accounting-based source material. (1996, p 13).

New accounting history would have been unable to broaden accounting's historical discourse if the archive had remained solely focused on technical documents. It is not that new accounting history did not draw on the technical archive, it was rather that

they sought to enlarge and redefine the meaning of what constituted accounting's archive (Walker, 2004). As Napier notes some historical researchers in a search for a broader accounting appealed,

for their evidential base to a different archive rather than being non-archival. Although some of the archival evidence would be regarded as secondary sources for studies of accounting techniques, they are primary sources for rationales, meanings and interpretations (while, as already noted, the primary accounts themselves may be opaque as to what calculations meant and how their outcomes are used). (Napier, 2006, p 462)

This broadening of the archive has impacted on the accounting and accountability literature. Links with social history became a new area of study, and included issues associated with race, gender, revolution and oral history (Hammond, 1997; Hammond and Sikka, 1996; Hooper and Kearins, 1997; Kirkham, 1992; Kirkham and Loft, 1993; Lehman, 1992; Neu, 2000; Parker, 1999; Walker, 1998). The evidential base of the new accounting history's archive allowed a whole new view of what constituted evidence in search of accounting and accountabilities' past. This is clearly evident in Napier's (2006) appendix in his study of 143 historical papers published in *Accounting, Organizations and Society (AOS)* over a thirty year period. While these studies drew on traditional archives they also used a broader archive including secondary literature, literature in general, contemporary documentation and texts, press and journal articles, fieldwork, interviews, observations and personal reminiscences among others. While Napier (2006) was concerned to stress that the majority of these *AOS* papers used an innovative mix of traditional and new archival sources, at least one-third of papers relied entirely on a literature-based archive. More significantly the most cited and therefore arguably most influential *AOS* historical papers had primarily relied upon a literature-based archive (Napier, 2006).

This wider archive and resultant explanations prompted a fierce polemic from traditional accounting historians, who accused the new accounting historians of being ideologically driven and fixated on promoting obscure theories (Fleischman and Tyson, 1997). There was a concern that distinctions between history and social sciences had become blurred and that the emphasis was on providing grand theories, rather than constraint built on history's more modest claims (Fleischman et al, 1996; Mills, 1993; Oldroyd, 1999). Despite such concerns it is now acknowledged that accounting history has been enriched and become more connected with main stream historiography as a result of this debate (Carnegie and Napier, 1996; Napier, 2001; Parker, 1997; Previts et al, 1990a, 1990b). An emerging concern is that while the pursuit of social sciences methodologies and theoretical insights have been useful, accounting history is in danger of losing its connection with the historical narrative (Funnell, 1996, 1998; Llewellyn, 1999; Parker, 1999). A call to return to the historical narrative was thus promoted as one means of bringing rapprochement between traditional and new accounting historians (Funnell, 1998). Parker notes that an explanatory and literary narrative should be supported by all accounting historians, as it

presents itself as a form of historical research, analysis and writing that holds promise for historians of all philosophical and methodological persuasions. (Parker, 1999, p 23)

The promotion of narrative and a realization that beyond the polemic, the difference between accounting historians was often a matter of emphasis, led to calls for rapport (Carnegie and Napier, 1996; Fleischman and Radcliffe, 2003; Merino and Mayer, 1993, Walker, 2004). Walker (2004) argues that what has emerged from the convergence of various theoretical and archival approaches is a constructivist approach to writing about accounting and accountabilities past. Walker considers that

accounting historiography is at its best when it draws on a strong evidential base, promotes theory, clear hypotheses and research questions and interprets the history within a conceptual framework. Walker's (1998) use of this approach in his study of accounting and accountability practices of the 19th century British middle class has been described by Parker (1999, p 32) as an "exemplar" for accounting historians to follow.

While a broader view of accounting and accountability has become evident within accounting history, there are relatively few studies into religious institutions despite their social significance and potential to focus the literature beyond the economic (Parker, 2002; Quattrone, 2004). As Quattrone (2004, p 648) indicated "little is known" as to how such studies may shed "new light on the nature of accounting and accountability." This study into the accountability and stewardship practices of the SHF draws upon a broad archive so as to reflect widely on the organization and problematic under study (Carnegie and Napier, 1996). The archive employed in this study includes scholarly endeavors to understand the Adventist church's complex amalgam of beliefs and social activities. It includes social and societal accountings along with financial information regarding the SHF from multiple sources over time. The study is also concerned to interpret and explain the findings of the study in the context of this broad archive. In this way the study draws on Napier's (2006, p 462) insight that although the archive may be

regarded as secondary sources for studies of accounting techniques, they are primary sources for rationales, meanings and interpretations.

In these matters the study is clearly drawing upon the links between the social sciences and new accounting history.

The study also reflects the critical role that narrative plays in accounting and accountability history. The study accepts Funnell (1998) and Parker's (1999, p 23) insight that narrative can "determine what is seen and believed about the past, it can justify and legitimize social arrangements." Narrative also provides a link with Niebuhr's (1941, 1951) notion of a religious community's internal history, that he contends is based around an ongoing internal narrative. Narrative is thus implicated in resolving for religious communities tensions and attitudes towards their belief system and secular practices such as accounting and accountability. The role of narrative is thus embedded and anticipated in this research project, not just as a form of writing output, but as an anticipated means of data collection as it relates to the Adventist community's internal history. This research thus accepts the qualitative characteristics of narrative both as means of input and output as part of the historical tradition (Llewellyn, 1999; Parker, 1999). It also is consistent with the ethnographic and qualitative methodology already outlined.

3.5 Documents and Media

The research methodology employed in this study was determined by the theoretical issues being explored relating to accounting and accountability in a not-for-profit organization and the specific research focus. The methods included document analysis of a variety of published and unpublished sources, in-depth interviews, informal discussions and observation.

The analysis of documents assumes increasing importance in ethnographic research (Atkinson and Coffey, 1997) and often highlights the close relationship between history and sociology. Ellul (1976, p 19) argues, "All sociological research is by

nature historical and cannot help using some historical material.” Goldthorpe points out that,

Sociology is in effect an historical discipline; the problems with which it is concerned cannot be approached – or even formulated – without the adoption of a historical perspective and the extensive use of historical material.
(Goldthorpe, 1977, p 185)

The present study builds on the growing awareness of the significance of document records in social settings (Atkinson and Coffey, 1997; Hammersley and Atkinson, 1983). It draws on a variety of sources, including minutes of meetings, published reports and a variety of unpublished sources some accessed by visiting official settings and others provided by the informants to this study. Indeed, a copy of one of the key documents for the present study (Appendix 3, p 334) was provided by an informant who felt the information contained was too critical to be overlooked by a study on SHF’s financial accountability.

Collecting and analyzing a range of media reports and other documents from both Adventist and non-Adventist sources played a key role in this study. In the case of the SHF the print media provided an avenue for the organization to have a conversation both with the church community and with the non-Adventist public. In fact, it could be argued that SHF has been conducting *two* quite distinct conversations with its clients and consumers by using the print media to communicate select fragments of information. Smith (1974, p 257) notes:

The knowledge of contemporary society is to a large extent mediated to us by documents of various kinds ... Factual statements in documentary form, whether news, data, information or the like, stand in for an actuality which is not directly accessible. Socially organised practices or reporting and recording work upon what actually happens or has happened to create a reality in documentary form.

One aim of the present study has been to record the conversations SHF has been having with its communities; a second aim has been to understand the constructed realities being communicated by SHF and the Adventist church through what Collison (2003) has termed impression management. The challenge of the study involved understanding how SHF presented the same information to at least two audiences seeking reports that were, in some instances, diametrically opposed in content.

The study draws on a range of documents from published Adventist sources, including *Record*,¹ the SDA church's official journal for the South Pacific Division [SPD] for the period 1970 to 2005; *Sanco News*, the SHF newsletter to employees for the period 1970 (1st edition) to 2004²; a selection of *SHF* reports;³ and a number of miscellaneous SHF reports some undated, produced either by SHF or by the Adventist church but which refer to SHF. Most of these primary sources have been accessed through Avondale College library, the SDA tertiary training college at Cooranbong, NSW, Australia. Andrews University, the senior Adventist theological institution in the USA also has a data base that can be used to access Adventist media reports and communication that include information on SHF.⁴ In the course of the study a range of reports were accessed from the public media, including newspapers, magazines, radio, television and submissions to public inquiries. These have been collected across the period of the study and using computer search engines that allow access to a range of media reports on SHF from 1982 to 2005 and Australian Government Websites. The World Wide Web proved particularly useful for accessing submissions relating to SHF's status as a charity (Refer to Bibliography).

Wilson (1990, p 137) refers to the Seventh-day Adventist Church as “the sect with the largest and most diversified literary output”. Butler (1987, p 204) notes that “The history of Adventism (has) been a matter of ‘publish or perish.’” All scholarly studies that have sought to understand Adventism have had to make extensive use of the movement’s penchant to use media for internal communication to promote its beliefs, mission, lifestyle and social action. This wide use of Adventist media extends to those studies that have a clear ethnographic focus, employing both ethnographic methods and methodology (Ballis, 1995; Barham, 1976; Borhek, 1953; Keller, 2005; Newport, 2006; Schwartz, 1970; Theobald, 1979; Vance, 1999).

A key source of data for the present study has been the *Record*, which since 1980 has been provided free to all church members. Knight (1977, pp 140, 160) labels *Record* an “internal sectarian newspaper” and contends that it is the most “authentic representation of SDA culture” in the SPD. Kapitzke (1995, p 90) suggests that *Record* is the “most influential periodical published by the [Adventist] church”. In his recently completed doctoral dissertation, Manners (2004, pp 277-278), a former editor of the *Record*, argues that “*Record* presents a mirror of the Adventist Church, the organization that publishes it.” The present study accepts *Record* as reflecting Adventism’s core values and beliefs. Manners explains:

One would anticipate that if someone without prior knowledge of the Seventh-day Adventist Church came across a bundle of recent issues of *Record*, even from a cursory glance they would learn much about the organization that produces it. The numerous references to institutions, including hospitals, schools, a health food company, bookshops, aged-care facilities, publishing and other media productions, with advertising for services and products as well as positions vacant, would lead them to conclude that the Adventist Church places high priority on its institutions. (Manners, 2004, p 275)

Church members have little say over the *Record's* editorial policy that clearly disallows publication of dissident views; nevertheless the publication remains the one authoritative source of Adventist activities in the South Pacific Division.

Manners (2004, pp 204-210) points out that reading *Record* has become a ritualistic experience of Adventist members, noting that the publication would not make for good reading to the uninformed because its reading assumes an internal history.

Manners (2004) quotes Tacey to point out the nature of *Record's* role within the Adventist community.

The art of community is the art of the soul, and community is what happens when deep, invisible bonds are shared, and when deep meanings are communicated between people, especially in the act of public ritual and in the presence of the sacred. (Tacey, 2003, pp 217-218)

The reason *Record* is able to achieve this level of community according to Manners (2004) is because it converses with like-minded people all over Australasia, reinforcing their identity and shared experience of religious belief and social action. In the present study the *Record* provides an ideal vantage point from which to examine the role of SHF within Adventism.

3.6 Interviews

Ethnographic researchers (Ballis, 1999; Schwartz, 1970) into the Adventist organization have typically adopted a low key approach. They have used a method of approach recommended by Hammersley and Atkinson (1983) based upon personal contact and use of acquaintances to refer the researcher to other informants. This generates a snowball sampling situation, also called network sampling (Wiersma, 1991) and is an example of non-probability or opportunistic sampling described by Burgess (1984). This technique is best suited to targeting population cohorts such as persons linked to SHF that are scattered (Burgess, 1982), inaccessible (Eckhardt and

Ermann, 1977), or no longer tied to a formal organization (Wright, 1987).⁵ The snowballing technique capitalized on informal friendship networks that the researcher and one of his supervisors⁶ had within the SHF organization. The informants for this study were not chosen for any particular reason but because they agreed to share their views.

Interviews are key instrument for gathering data in the social sciences generally and ethnography in particular (Fetterman, 1989; Holstein and Gubrium, 1997). In general, ethnographers do not conduct interviews using a pre-determined list of questions, however, the current research identified a list of themes to prompt discussion (Hammersley and Atkinson, 1983). Rubin and Rubin (1995) note that interviews can be considered as a general tool to understand broad cultural matters or topical concerned with particular processes and events. In practice there is a continuum between the cultural and topical interview, with the current research situated more towards the topical end of that continuum. Interviews may be conducted for the purposes of 'discovery' or 'verification'; in this study they were employed for both purposes. Due to the topical nature of this research and the extensive documentation, media and secondary literature surrounding SHF reporting, the interviews were more in the form of active questioning rather than returning to the interviewee again and again as would be the case in a cultural ethnographic approach. The majority of interviews took place interstate requiring travelling distances of between 800 to 1600 kilometers with most interviews taking place in the vicinity of Adventist institutions in Sydney and Cooranbong, NSW.

Anonymity was a key aspect of the research made all the more necessary by the close knit nature of the Adventist Church. All of the interviewees were devout and practising members of the Adventist faith. The interviews took place in two phases. The first phase occurred between April 2003 and April 2005 and consisted of nine interviews (Table 3.1). These interviews were more of the ‘discovery’ type based around semi-structured probing questions (Appendix 5). They were typically taped or digitally recorded and transcribed. Field notes were also taken by the researcher. The first round of interviews was exploratory in nature and the information gathered assisted to establish the general boundaries of the study and to gain a better understanding of how religious beliefs and social actions combined in Adventism to promote the building of food factories such as SHF. The exploratory interviews helped sharpen the focus of the questions and highlighted issues that would have slipped by unnoticed at the beginning of the research process. It also allowed for a more adequate knowledge of the personal histories of interviewees (Fetterman, 1989; Hammersley and Atkinson, 1983).

Table 3.1 - Dates, duration and location of interviews (phase 1)

Interview	Date	Duration	Location
Interview 1	9/4/2003	1 hour	Sydney
Interview 2	10/4/2003	4.5 hours	Cooranbong – NSW
Interview 3	9/4/2003	50 mins	Sydney (by Telephone)
Interview 4	6/4/2005	1 hour	Sydney
Interview 5	6/4/2005	2 hours	Sydney
Interview 6	7/4/2005	1.5 hours	Cooranbong – NSW
Interview 7	7/4/2005	1.5 hours	Cooranbong – NSW
Interview 8	7/4/2005	20 mins	Cooranbong – NSW
Interview 9	7/4/2005	2 hours	Sydney

The second cluster of eight interviews (Table 3.2) was conducted from November 2007 to January 2008. These interviews typically were for verification to gain additional insight regarding the links between the Adventist Church and SHF. Only one of these eight interviews was audio recorded, the others were recorded via notes kept during the interview. All interviews involved the keeping of field notes; the interviews were more informal, touched on more sensitive issues and the informants were more cautious about the prospect of being identified.

Table 3.2 - Dates, duration and location of interviews (phase 2)

Interview	Date	Duration	Location
Interview 10	19/11/2007	20 mins	Sydney (by Telephone)
Interview 11	21/11/2007	3.5 hours	Warburton – Vic
Interview 12	27/11/2007	2.75 hours	Warburton – Vic
Interview 13	10/12/2007	2 hours	Cooranbong – NSW
Interview 14	11/12/2007	1 hour	Cooranbong – NSW
Interview 15	11/12/2007	1 hour	Sydney
Interview 16	20/12/2007	2.25 hours	Warburton – Vic
Interview 17	7/1/2008	7 hours	Tweed Valley, NSW

Two of these eight interviews were conducted in restaurants; another took place over the phone. One of these interviews was in the form of a seven hour interchange; this interviewee had completed one of the first academic studies in Australia on accounting within the not-for profit sector in the 1970s. This lengthy interview proved invaluable because the interviewee had extensive knowledge of the SHF and Adventist organizations as well as the not-for-profit sector and was able to explain in much greater detail how SHF reported to the regulatory bodies. The interviews in

this second phase also provided an opportunity for the researcher to elicit their reactions to the researcher’s preliminary interpretations of the emerging research findings.

It is important to note that all of the interviewees were or are employees of SHF or the Adventist church (Table 3.3). The majority were retired, continued to contribute to either the SHF or the Adventist church in a part-time or voluntary capacity. All continue to identify with the church and are practising Adventists. One interviewee noted sardonically “retired workers were much more likely to talk that those still employed”.

Table 3.3 - Occupational Categories of Interviewees

Occupational Category	Number of Interviews (N=17)
Academics and Educators (Theologian, Accountant etc)	6
Editor, author, archivist	8
Management Executive	4
Church Pastor	4

Despite the use of the snowball sampling technique close to half of the informants in the present study had held senior managerial positions or responsibilities within the SHF Company (Table 3.4). A more carefully planned and designed random sample would not have achieved this outcome. The information they shared, in all cases, provided the researcher with insight into the rationale of the decision making and the rationale that underpinned key decisions. Many of these interviewees had long

established links with the SHF via family connections or having worked for the SHF. A number also were ex-officio members on the SPD Executive Committee, the Adventist Church's highest governing body in Australasia. In some respects, for some of the informants the very opportunity to be interviewed and to share their views of SHF financial reporting or lack of it was cathartic.

Table 3.4 - SHF Roles of Informants

SHF Role	Informants (N=7)
SHF, Head Accountants	2
SHF, Senior Management	4
SHF, Food Scientist	1

Interviews associated with the collection of data for this study involved renewing contact with some acquaintances. In most instances however the research involved contacting individuals for the first time. The overwhelming reception was one of hospitality and interest in my research.

While all of the people met were keen to stress loyalty with the Adventist church many were keen to point out their own independent positions on a range of matters and particularly relating to the SHF. The informants were keen to communicate their views on Adventist theology, their disagreement with administration over organizational matters, policies and church politics. A common feature of these discussions was their preparedness to talk openly and candidly about church matters

including the research topic. Some additionally recommended others who might be able to help with the research.

While a set of prepared questions acted as a guide, (Appendix 5) the conversations with interviewees in general were less structured. Discussion often focused on particular personal experiences that the individual had with the SHF or Adventist church. The openness and transparency of the SHF and Adventist church was on more than one occasion related to the political nature of the church's handling of the defrocking of Desmond Ford in 1983,⁷ with one informant noting that "you did not know you were off side until the knives were in your back". The reluctance of the Adventist organization to engage with the wider community was considered by some informants as a low point particularly in relation to the Chamberlain murder trial.⁸ Interviewees shared personal experiences including their close association with SHF often via family, kin and personal experiences. These experiences often provided the most insightful cameos into the informants' perceptions regarding SHF's accountability and stewardship particularly in providing employment for their families, and allowing social networks and friendships to develop that have lasted a lifetime.

The discussion often was a catalyst to prompting recalling experiences long forgotten; criticism of SHF accountability and stewardship was most pronounced. "Remember when we were talking about the matter dealing with ..." some would say, and often this occurred when the tape and digital recording had been turned off or after the formal interview had turned to matters other than SHF. These recollections were noted in the field notes associated with the interview. The vast

majority of informants used an ironic sense of humor in their recalling, including sharing stereotypical stories about SHF's leadership being dominated by accountants. One informant explained that Adventist financial reports are like a bikini: "what they revealed was interesting, what they hid was vital." Another compared Adventist financial reports to a "neck to knee" swimming costume. Informants reflected on their Adventist backgrounds to note that the boundaries had changed in regard to SHF accountability including on the fact that SHF once would not have associated with 'chocolate, sport and coffee' and how Adventist workers have become the 'remnant' within the organization. The time most informants were prepared to give to me and their candid and honest assessment of SHF's relationship to the Adventist church proved essential in the present study.

3.7 Data Analysis

Narrative is an integral part of ethnographic and historical research by providing a format for presenting research findings (Fetterman, 1989; Parker, 1999). Narrative completes the hermeneutical circle of ethnographic research (Kvale, 1996; Polkinghorne, 1988) and serves multiple roles within historical understanding (Funnell, 1998; Parker, 1999) by linking the research findings with the internal world of the participants to this study (Jonsson and MacIntosh, 1997; Niebuhr, 1941, 1951).

Narrative is relatively well established in history and certain social disciplines, including education and medical sociology (Mishler, 1986; Polkinghorne, 1988). The use of narrative within accounting and accountability literature is less established although examples exist within the case study genre (Boland and Schultze, 1996; Sinclair, 1995). Jonsson and MacIntosh (1997) suggest that that hallmark of

ethnographic research is that it is representational, interpretative and rhetorical - the underlying link being a trustworthy narrative that provides a context for symbols, necessary in dealing with notions such as accountability (Jonsson and MacIntosh, 1997; Llewellyn, 1999). There have also been calls within the accounting history literature to rediscover the role of narrative as a key methodological component of historiography (Funnell, 1996, 1998; Parker, 1999).

In her seminal study Llewellyn (1999) argues that within accounting and management research, narrative can make stronger research claims than calculative research⁹ by presenting humans as strategic beings both at individual and organizational levels. The notion that narrative has preeminence over calculative research has implications for accounting and accountability research into religious organizations. Hardy and Ballis (2005, p 246) drew attention to H. R. Neibuhr's use of "the term narrative or story to emphasis the integral links between abstract theologies" and how they become "translated into experience in the everyday lives of Christians". For H. R. Neibuhr, "God's story amounted to our story." Narration thus provides a means for this study to combine methodologies drawn from both ethnography and historiography, moving between the internal and general views to weave the individual and communal perspectives into a story that has both layered views and multiple plots.

The analysis of both documents and interviews for this study were considered to be part of a continuing narrative. Due to the part-time nature of the study and the considerable distance required to collect documents and interview informants the analysis in this study was never considered to be a discrete and isolated part of the

research but was an iterative and continuous process (Marginson, 2004; O'Dwyer, 2004). This resulted in a range of reflective notes being kept and returned to over the course of the study, a process that O'Dwyer (2005, pp 294-296) describes as "living with the data" and the means of providing a "memory" that was used to critically consider additional material as time and convenience allowed for collection and analysis. The iterative nature of the analysis also included publications and conference papers that flowed from sub-sections of the data, which while time consuming ultimately strengthened the research by challenging preconceptions, and forced the consideration of new themes and competing interpretations via insight from reviewers (Ahrens and Dent, 1998; Hardy and Ballis, 2005; Hardy, et al 2007; Silverman, 2000).

To enable an understanding of the internal history surrounding the SHF and Adventist community (Niebuhr, 1941, 1951) the research began by analyzing a range of documentary evidence. This analysis proceeded on the basis, that a historian

searches for patterns of development and attempts to proceed from a determination (what happened) to a contingency (how it happened) basis. Facts are necessarily selected and organized through a judgmental process constrained by time and are provisional according to the historian's perception of the contextual variables of the period studied. (Previts et al, 1990a, p 9)

The analysis of the documents then proceeded through a process of data reduction, data display, reflection and interpretation, until a series of themes emerged (Huberman and Miles, 1998). There was no coding of the data as the analysis proceeded on a storytelling basis with documents forming part of the narrative. Such an approach is consistent with both ethnographic and historiographic methodology (Marginson, 2004; Mishler, 1986, Parker 1999). These initial themes were then

stored electronically and color coded in hard copy to allow for ease of use. The emergence of these themes provided the basis for the semi-structured questions of the interviews (Appendix 5). They also allowed follow up questions during the interview process on the basis of a detailed inside understanding of the SHF's relationship with the Adventist community that would not have been possible if the interviews had occurred at the beginning of the research and prior to such analysis.

A reflective consideration of the data from the interviews confirmed, extended, modified and in some instances contradicted the initial thematic classification of the documentary evidence (Jorgensen, 1989; Miles and Huberman, 1998; Silverman, 1993). Analysis and insight from writing up draft chapters in this research occurred concurrently and form part of the qualitative research heritage of ethnographic and historical methods (Berry and Otley, 2004; Parker, 1997). It confirmed the need to allow the interviewees' voices to be heard in their own words (Scapens, 2004).

Unlike writing within the positivistic traditions which draws on analysis that has already occurred,

Quite a different experience awaits the historian (qualitative researcher) who commences writing with a partial understanding of the sources of evidence and their possible implications, but who travels further on a voyage of discovery that invariably yields new insights and understandings progressively as the composition of the prose proceeds (Tosh, 1991 quoted in Parker, 1997, pp 139-140).

Simultaneous engagement in both analysis and draft writing created the circumstances to consider how the evidence collected fitted together and allowed theoretical explanation to emerge, on the basis of what Geertz (1973) described as thick description. It also provided an opportunity to understand the data "intimately",

which O'Dwyer (2004, p 404) considers is essential to the analysis process. The research thus used analysis and draft writing together to shape a narrative story of

...characters, themes and events into a sequence that lead up to the phenomenon to be explained, or understood, and...to render this phenomenon intelligible within the context presented in the narrative. (Llewellyn, 1999, p 229)

In this way narrative provided a means to understanding the internal history of the SHF and Adventist community, as well as informing the study with detached observations and theoretical understanding of the external researcher.

3.8 Validity and Reliability

It is not possible to conduct qualitative research without dealing with issues of validity and reliability (Lightbody, 2000b). Some researchers have eschewed using the terms altogether. Lightbody (2000b) considers the terms trustworthiness and usefulness as being more appropriate for evaluating qualitative research. Rubin and Rubin (1995) suggest that qualitative research should be measured by the criteria of transparency, consistency-coherence, and communicability. This study accepts Polkinghorne's (1988) definition of the terms valid and reliability particularly as used within the narrative traditions.

In narrative research, "valid" retains its ordinary meaning of well-grounded and supportable....Reliability in narrative study usually refers to the dependability of the data... (Polkinghorne, 1988, p 211)¹⁰

This reflects the fact that within qualitative research generally and within ethnography specifically, the issue of validity is a more pressing concern than reliability (Perakyla, 1997). Reliability is primarily concerned with being assured as to the quality of the data being used and how it can be publicly accessed (Perakyla, 1997). In the present study the terms reliability and validity follow Haralambos and Holborn's definitions. According to Haralambos and Holborn (1995, p 829)

reliability has to do with the adequacy of the research design and whether it is capable of being replicated by other researchers, while validity has to do with the generalizations made from the research data, and whether these generalizations can be applied to other settings.

This chapter has indicated the study design and approach to understand the research questions associated with the accountability and stewardship of the SHF. It includes the reliance on documents available publicly or within the Adventist archives, along with listing the background of informants to this thesis, and the audit trail of recording and analyzing the data used. It is argued that this should satisfy issues of *procedural reliability* in the qualitative tradition (Scapens, 2004). The validity of qualitative research on the other hand concerns the interpretation of the data and observations and what they may stand for or represent (Perakyla, 1997). Silverman (1997) suggests validation should go beyond the need to authenticate subjective experience as it needs to acknowledge something real and external to the speaker and a commitment to deal with that reality.

The notion of validity goes to the heart of qualitative methodology and how the output of such a perspective relates to social science. Qualitative researchers have sought to ensure the validity of their data via triangulation of methods, theories and reflective validation (Bryman, 1988; Eisenhardt, 1989; Lightbody, 2000b; McKinnon, 1988). Extreme forms of validation within qualitative research are however often sought via methodological assumptions, which it is argued can filter out misinformation or lead to increasingly sophisticated forms of analysis (Ballis, 1995). The facts are that there is contamination everywhere (Holstein and Gubrium,

1997) and although the reflexivity of a particular researcher in interpreting their data and observations should be a consideration it should not be overstated or seen as the prime consideration (Hammersley and Atkinson, 1983).

To appreciate the role of validity within ethnographic research it is necessary to let go of the presumption that the data derived from interviews is “some kind of privileged insight” (Baker, 1997, p 142). Van Maanen’s (1979) telling and insightful view that people lie about the things that matter to them most, implies that the researcher should be more preoccupied with the telling and framing of the narrative than with its validity and veracity. Misinformation has a place along with the artfully accomplished constructions of actor’s accounts (Beckford, 1978; Salamone, 1977). In the Weberian methodological spirit, the narration in this dissertation will be concerned with separating the question of the truth or falsity of people’s belief from the analysis of those beliefs as a social phenomena, thereby focusing on the latter (Hammersley and Atkinson, 1983). That is dealing with the tension between the subjective and objective, the internal and general. While it is the responsibility of the ethnographer to deal adequately with the internal viewpoint of the individuals and organizations of the field, the validity of the output will be measured in Polkinghorne’s (1988) terms by its scholarly consensus and verisimilitude. To achieve such consensus, the output via its description and retrodiction must allow and be informed by general considerations, of the accounting and accountability literature both theoretical and empirical. In so doing the researcher will be balanced on the knife-edge in trying to resist the subjectivism of the internal, while embracing the general of the external world and simultaneously rejecting the cabbalism that it so often entails (Geertz, 1973).

3.9 Conclusion

The methodology of combining historical and field research adopted in this study and the specific instruments used to generate the data ultimately were selected for the specific purpose of better understanding the existence of two sets of narratives about SHF, one generated by the church authorities and SHF management for the faithful and the general community, and a second that become very apparent during my interviews generated by former church officials and former SHF executives that expressed ambivalence and cynicism of official discourses about SHF.

The next chapter outlines the organizational contours of Adventism and its operations, and identifies the boundaries of SHF activities and goals.

¹ *Record* is a weekly publication. Its nomenclature has changed several times during the period under study the current title *Record* will be used in this study.

² *Sanco News* – was not published regularly but appeared three or four times per year based on available copies held in the Adventist Heritage centre at Avondale College and the SHF historical centre at Cooranbong.

³ *SHF Reports* in the form of *SHF Business Reviews* only exist for the period 1997-2000.

⁴ A number of documents are confined to the Heritage Room at Avondale College. SHF has begun its own historical centre, which includes early production equipment, packaging material etc at its factory at Cooranbong and some limited documentation. Permission has to be gained to get access to both the Heritage Room and the SHF historical centre. In both cases it was given. The documents within the SHF historical centre and Heritage Room are very similar, however as information on SHF is limited any additional documentation was useful.

⁵ Ballis (1995) and Wolfgramm (1983), who conducted ethnographic research on Adventists in Australia, employed this approach and it has been followed in this research.

⁶ Harry Ballis, one of my PhD supervisors, was a former SDA minister and conducts research into the Adventist community. Harry's contacts and materials have proved invaluable in this research.

⁷ This defrocking involved a theological crisis in the Adventist Church over the unique Adventist teaching of the Investigative Audit/Judgement (Ballis, 1999; Hardy et al, 2007).

⁸ One of Australia's most controversial murder trials concerned the disappearance of Azaria Chamberlain, the daughter of an Adventist minister, in central Australia which led to the conviction of Azaria's mother and later quashing of that conviction. The story was made into a film starring Meryl Streep (Bryson, 1985).

⁹ Llewellyn (1999) would appear to be making use of Polkinghorne's (1988) reference to Bruner's proposition that there are two distinct modes of functioning either via narration or calculation.

¹⁰ Polkinghorne (1988) expands the ordinary meaning of valid as follows. Valid is an adjective usually attached to a statement, argument, or reasoning. Its synonyms in ordinary usage are sound, convincing, telling, and conclusive. The synonyms designate the differences in the power of an argument to convince the hearer. Valid and sound both refer to the notion that the argument is able to resist attack. A convincing argument is slightly stronger than a valid one: it can not only withstand attack, it can silence the opposition. A conclusive argument is still stronger; it puts an end to doubt or debate.

Chapter 4

Operational Boundaries

4.1 Introduction

Laughlin (1988) and Booth (1993, 1995) have made an important contribution to accounting and accountability literature by highlighting the importance of belief systems for understanding accounting and accountability practices within religious organizations. Indeed, the accountability of the Sanitarium Health Food Company [SHF] cannot be understood without reference to the beliefs and practices of Seventh-day Adventism. SHF was established specifically as a vehicle for promoting Adventism; the way the health factories are managed and operated, the health products that are sold, and the scientific rationale for producing those particular products ultimately, in one way or another, are underpinned by the Adventist world view. It is not the intention of this study to present a detailed outline of Adventist theology. This chapter has a much narrower focus, namely to highlight the beliefs and practices of the SDA Church as these impinge on the accountability and stewardship of the SHF. The Adventist beliefs concerning health underpin the motivation for this religious community's involvement with food industries, such as SHF.

No other individual has played as critical a role in shaping Adventist belief and practices as the charismatic Ellen G. White, the Adventist prophetess and spiritual mother who resided in Australia between 1891 and 1900. Through her voluminous writings Ellen White has shaped every aspect of the Adventist system and her views

have been pivotal in marking out the broad contours and sometimes the actual operational details of Adventist owned organizations. Butler (1992, p xxx) believes that Ellen White “serves as the mirror in which Adventism sees its own face”. More than nine decades after her passing, her instructions continue to inform Adventism’s understanding of the purpose and role of the SHF. This chapter will consider in what ways the Adventist community draws on Ellen White to promote a sense of mission and to influence Adventism’s organizational structures. Moreover the chapter seeks to better understand the dilemmas confronting a millennial movement like Adventism that simultaneously focuses on preaching the end of the world while investing significant resources on establishing and running institutions like the SHF (Theobald, 1979). Finally the chapter explores the use of the concept of stewardship in the SDA church.

Understanding the theological beliefs and social practices of the Adventist community is vital to understanding SHF’s accountability and stewardship. While the material provides background, it more importantly reflects an essential part of this study’s archive. For while they maybe considered secondary sources, as Napier (2006, p 462) indicates “...they are primary sources for rationales, meanings and interpretations (when) ...the primary accounts themselves maybe opaque...”. The material in this chapter thus provides the primary sources and tools into how this study built around the Adventist community can shed new light on the “nature of ...accountability”, by focusing on its underlying ideology and actions (Quattrone, 2004, p 648).

4.2 The Adventist Paradox

Bull and Lockhart (1989, p ix), argue that even though “unjustly ignored” by the community generally, the SDA church is “one of the most important religious movements native to the United States.” In 2007 there were over 15 million Adventists worldwide. The SDA church arguably is the most widespread Protestant denomination in the world with adherents in over 90 per cent of U.N. designated countries. At the same time Bull and Lockhart (1989) concede that a study of the SDA Church involves a good deal of ambiguity on account of its multiple and conflicting public images. On the one hand SDAs appear to show little interest in this-worldly affairs by their preoccupation with end of the world.¹ At the same time they affirm social values particularly with their promotion of health and the establishment of medical institutions.

In the past, much of the research on Adventism was in fact generated by Adventists themselves and characteristically had an apologetic focus (Froom, 1971; Spalding, 1961, Vols 1-4)². A more sophisticated analysis is now available³ both from non-Adventists scholars and since the 1970s, a critically self-aware group of Adventist or expatriate Adventist scholars.⁴ A common aspect of this work is the conviction that, by examining a religious community’s human passions and motivations, one is better able to understand the inner forces of society generally (Berger, 1954).

The paradox that challenges Adventism is best summed up by Gaustad’s (1976, p 151) jibe⁵, that “seldom while expecting a kingdom of God from heaven, has a group worked so diligently for one on earth” (Graybill, 1979; Pearson, 1990). Other researchers add to observation. Theobald, for example, argues,

Adventists believe that the world is moving into the final stages of its turbulent history and that Christ's imminent return will signal the end of the present order. Yet they are members of a movement which has extensive worldly involvement; which operates a global network of institutions, many of them medical institutions dedicated to preserving life, or food factories aiming to promote good health. This organizational complex not only depends upon the deployment of considerable funds, but requires a long term planning which sits uneasily besides the expectation of the imminent return of Christ. (Theobald, 1979, p 285)

Schwartz contends that this paradox represents the crux in understanding the

Adventist minority:

Why should people [Adventists] who firmly believe that God is soon to destroy all earthly systems of social rank and economic opportunity work so diligently against formidable odds to improve their own and their children's position in them? In other words, why does a doctrine which should, on its face, create apathy or fatalism about one's present socioeconomic destiny lead to continuous striving to change that status? (Schwartz, 1970, p 31)

An understanding of this paradox also is central to arriving at an understanding of SHF's accountability in Australasia, for while the Adventist church owns food industries in other countries, SHF's commercial activity and market penetration in these parts of the world are greater and thus present in stark contrast the seeming contradiction between the movement's millennial beliefs and its institutional orientation.⁶ Surprisingly the links between the SHF and the Adventist church has received little scholarly attention.

Scholars have offered various explanations to account for the SDA church's extensive this-worldly activities. Schwartz (1970) argues that Adventist ideology simultaneously faces in two directions and by so doing satisfies two contrasting outcomes for Adventists: it enables the community to preach on the second coming and second, to do so in a manner that deflects close scrutiny of the movement's social environment for economic opportunity and advancement. At the same time

Schwartz (1970) concedes that Adventists infuse their secular environment with sacred imperatives.

Theobald (1974, 1979, 1980) contends that researchers too often fail to comprehend and actually obscure the complexity of Adventist ideology. He argues that Adventist beliefs have precipitated multiple activities, including evangelism, hospitals and schools, each of which has evolved into major institutional investments and church operated structures. Theobald (1974, 1979) draws on Borhek's⁷ (1953, 1965) insight to emphasise that Adventism promotes multiple role orientations amongst its adherents, focusing on doctrine, community and group. These different orientations mean that Adventist ideology simultaneously can promote intense worldly action for some while legitimating social withdrawal and resignation for others (Theobald, 1979). Theobald (1974) argues that the official church position appears to approximate Borhek's community-oriented role which the latter defines as:

an acceptant stance toward the community and other religious groups and emphasize social welfare, education, music, broadcasts or publications, rather than evangelism or charity...This orientation views the SDA church as an actor among other actors. (Borhek, 1965, p 335)

These insights are relevant to understanding Adventist attitudes toward SHF.

Particular attention is drawn to the notion of charity. It is not used here to imply disinterested charitable activity. The use in this instance is to be understood in the way that Adventist charity is motivated and constrained by the movement's evangelistic imperatives and denominational interests (Morgan, 2001).

According to Bull and Lockhart (1989, 2007) Adventism's paradox is best interpreted as a rejection of America's self-imposed civil religion of playing a redemptive role among nations. This rejection can be understood by Adventism's

endeavours to imitate, replicate and rival civil institutions and agencies particularly in health and education. As part of Adventism's distinct health emphasis, Adventism has encouraged vegetarianism and other dietetic practices. Sociologist Bryan Wilson (1975, p 42) argues that the emphases on health and vegetarianism,

reinforce [Adventist] distinctive beliefs ... [and] make evident in actual life-style as well as in important symbolic form their apartness from the wider world.

One difficulty with Bull and Lockhart's explanation, however, is that most Adventists now live outside of America (Lawson 1995, 1999), although church members would argue that Australasian Adventism is more closely aligned to its American cousin than any other division of Adventism (Hook, 1998; Schwarz, 1979, 1986). Australasian Adventism independently supports missionary endeavors in the South Pacific that, like the USA church, are highly institutionalized with multi-million dollar medical and educational investments supported by the profits from the SHF. Arguably this is a key reason why the Australasian Adventist community has been able to successfully replicate the USA church's experience.

Butler (1986, p 50) accounts for Adventism's propensity to establish institutions by noting that "Millenarians cannot last as millenarians" and suggests that Adventism even may wish, "to delay the end in order to preach that the end was soon" (Butler, 1979, pp 7-8). Butler (1979, 1986) contends that Adventism has a genius for mixing otherworldly and this-worldly concerns particularly in the area of health and education but accepts that few Adventists would recognize this paradox. Regardless of how one accounts for the seeming contradiction of a religious minority that focuses on preaching the end of the world while being preoccupied with business concerns and running institutions, the fact remains that in Adventist consciousness

there is no contradiction so that this-worldly activities continue to be viewed as a means to actually promote the Adventist cause.

4.3 Adventist Beliefs and Practices

Bloom (1993, p 154) describes Adventism as “an American religion of health, crossed with the postapocalyptic dream of an end-time never to be.” This pithy statement highlights the key features of Adventist beliefs and practices. First, Adventism cannot be understood apart from its American heritage. Second, the Adventist dream is based on a self-proclaimed prophetic destiny to prepare a remnant. Third, a significant part of that preparation involves making health a religious duty. Finally those beliefs and practices are proclaimed and practised with a strong belief in the imminent end of the world. For non-Adventist Christians, the second coming is an external event, while for Adventists the Advent also is integral to their history and mission (Bull and Lockhart 1989, 2007). For Advent members health practices and health reform gain spiritual significance and have moral and eternal consequences. Pearson (1990) contends that the Adventist preoccupation with health has evolved into a highly developed ethical sub-system based around the prohibition of alcohol, tobacco and certain foods (particularly pork), and recommending a vegetarian diet. Provonsha (1974, p 45) a leading advocate of the Adventist philosophy of wholism states,

Man is a unity, a marvelously interpenetrating, interacting unity of one dimension with another ...This is why the health of the body is also a moral issue. What happens to a man's body is important to his entire personality and character, and thus may have eternal implications.

Adventists nowhere argue that an individual will be damned if he or she drinks alcohol or eats pork, but they will be as good as damned if they knowingly choose to persist with such Adventist non-endorsed health practices.

Adventists also are passionate defenders of religious liberty and the separation of Church and State. There is a long history in church rhetoric directed at defending individual religious choice, and on occasions in the past Adventists actually teamed up with their religious rivals to defend the separation of church and state (Ballis, 1985; Ely, 1976). While no doubt sincere, the passion for religious liberty also is self-serving for Adventists who consider themselves vulnerable to state interference particularly in regard to their observance of Saturday as Sabbath. These attitudes often have seen church-state separation being given overriding consideration in the complex of Adventist ethical values. Bull and Lockhart (1989, p 142) note that SDAs consider religious liberty to be more important than matters of equal pay and open business practices, stating,

In the legal cases of the 1970s and 1980s, the Adventist leadership believed the maintenance of church-state separation to be more important than the ethical propriety of equal pay or open business practices.

The separation of church and state has implications for understanding SHF reporting practices and accountability. Adventists cooperate with the State in order to meet their legal obligations (so long as these obligations do not undermine obligation to God) but there is an inherent distrust of secular authority. Adventists have in their relationship with secular authorities typically sought to maintain a low public profile. Adventists connect their understanding of religious liberty with their own prophetic destiny which they believe will end in persecution (White, 1888, chapters 35-42). What is certain is that it is not possible to understand Adventism's fixation with health and the establishment of food industries without considering Ellen White's role.

4.4 Ellen White - Mirror to the Face of Adventism

Few disagree with regards to the importance of Ellen Gould White within Adventism. Although barely known outside of this minority, Ellen White, born on November 26, 1827, in the USA state of Maine, is recognized by both non-Adventist and Adventist scholars alike as an individual whose personality and thoughts pervade every aspect of SDA belief and practice (Theobald, 1980). The Adventist world view cannot be understood without reference to her role and influence (Bull and Lockhart, 1989, 2007). Similarly, SHF accountability and stewardship cannot be understood without an appropriate understanding of her.

Over a period of some seven decades, Ellen White came to be accepted within Adventism as an authoritative and *inspired* interpreter of the scriptures (Bull and Lockhart, 1989, 2007). What Ellen White said and wrote carries the weight of scripture and a “blueprint for the complete Adventist life” (Theobald, 1980, p 99). The blueprint Ellen White detailed is one reason why Schwartz (1970) declares that Adventists treat secular behavior as being absolutely essential for their salvation. There is extensive debate within Adventism as to the meaning of Ellen White’s inspiration and the nature of her authority, however, as Theobald (1979) points out, the key issue is not whether Ellen White is divinely inspired, but rather her sociological significance within Adventism.⁸ If church members perceive Ellen White to be divinely inspired, then for them this perception is true in its consequences regardless of the nature of her inspiration. Ellen White’s influence upon SDA beliefs and practices is total and is fundamental for understanding the SHF organization and its practices.

Butler argues that Ellen White is Adventism's skeleton in the closet in two ways.

Firstly, she has been the framework for the movement, holding life and limb together in every area of the church's thinking and behaviour. All of Adventism stands in her debt for its understanding of the Sabbath, the Second Coming of Christ, justification and sanctification, health reform and medicine, child nurture and education. But, secondly, she has been a "skeleton in the closet" in that Adventists have hidden her from the non-Adventist public, as if to talk too openly about their "mother" betrays an unnatural dependence on her...(and are unable) to see their spiritual mother as an imperfect human being." (Butler, 1992, pp xxix-xxx)

Butler's use of skeletal imagery is both insightful and revealing. While the official church position is that her writings are not considered equivalent to the Bible, most non-Adventist scholars find that in Adventist discourse the two are virtually indistinguishable (Theobald, 1979); for many, what Ellen White said and wrote is inviolable (Bull and Lockhart, 1989, 2007).

This thesis has a particular interest in how the Adventist church has used Ellen White to develop their health message and develop institutions as part of the church's mission (Bull and Lockhart, 1989, 2007; Land, 1986b; Theobald, 1979, 1980). This interest arises because SHF's role as an Adventist institution and contributor to the movement's health message is a central focus of SHF's accountability and stewardship. In addition the way that SHF is perceived within the Adventist community has and continues to be interpreted via the charismatic authority of their prophetess. Any understanding that is drawn about SHF's accountability and stewardship within the Adventist community must therefore draw upon the rationales, meanings and interpretations that are applied to the SHF by the Adventist community on the basis of Ellen White's writings. Recent critical historiographies of Ellen White have made a significant contribution to demystifying both her person and writings. Researchers have pointed out that her outlook on a variety of issues

reflected the thinking of late nineteenth century America, that she borrowed from contemporary sources in her writings on key themes, particularly in the area of health and that she was not inerrant (Land, 1986b). The most important critical examination of Ellen White is Numbers' (1992)⁹ book on the origins of Adventist health reform. Numbers argues that Ellen White's views on health are neither new nor original and that she had borrowed many of her ideas from her contemporaries. Prior to Number's research, even well educated Adventists considered that Ellen White's views on health as providing compelling evidence for her inspiration as it appeared to anticipate future scientific developments despite the range of alternatives she could have chosen from. Despite these criticisms, Bull and Lockhart (2007) note that Ellen White's prophetic gifts have more recently been rehabilitated within Adventism, thanks to postmodern literary theory that focuses on her message.

4.4.1 Adventists and Social Action

While Ellen White's charismatic gift is widely accepted within Adventism, Pearson (1990) notes she was most strongly accepted within the USA and Australia, in part because of her extended stay in Australia between 1891 and 1900 (Clapham, 1985; Patrick, 1985). Carey (2000) considers that while Ellen White failed to achieve her millennialist vision for Australia by developing the Adventist community into a mainline denomination, she nevertheless was instrumental in developing Adventism's institutionalism, including the SHF factory at Cooranbong, NSW.

According to Patrick,

Among other things [Ellen White] visualised and fostered the major institutions which gave form and effectiveness to the Adventist movement. Her emphasis on health helped to develop ... hospitals in Sydney, Warburton and Auckland, and caused Adventists to plan eleven Sanitarium Health Food factories in places as different as Christchurch and Cooranbong. Her concern

for education was indispensable to the founding and progress of Avondale College.¹⁰ (Patrick, 1985, p 116; cf. Hook, 1998; Trim, 1985)

In the Adventist community, Ellen White both inspired action and imposed gospel order on the emerging Adventist church. She demanded efficient and effective management of Adventist organizations, including financial management, and provided detailed instructions on how to support, order and manage almost every aspect of Adventist activities. She can thus be credited not only with inspiring members into social action but also in establishing institutions and instructing how these should be run.

The link between Adventist belief and social action has been noted by many social researchers. Schwartz (1970, p 47) contends that Adventism has made social action “essential for salvation.” Morgan (1994, 2001) and Lawson (1995, 1999) observed the close links between Adventist teaching and member involvement in political activity particularly in relation to issues on Bible in Schools and the prohibition campaign. Bull and Lockhart (2007) argue that the Adventist worldly focus has been instrumental in facilitating upward mobility in some sectors, of the Adventist community, especially second generation members. Borhek (1953, 1965) and Theobald (1974, 1979) argue that caution needs to be exercised when seeking to explain the relationship between Adventist beliefs and social actions due to the fact that Adventist adherents have different role orientations and will focus on different aspects of Adventist social action (Borhek, 1965). Regardless of the specific orientation of individual members, Borhek argues that the,

normative structure [of the SDA church] is by no means a vestigial appendage [to be] ... disregarded between sermons; it is taught, frequently preached, and is supported by both formal and informal sanctions, and is to all appearances practiced. (Borhek, 1953, p 10)

Theobald (1980, p 98) believes Ellen White is essential to linking Adventist belief and social action. She contributed to the Adventist social experience in “virtually every aspect of daily existence including, child-rearing, relationship in the home, diet, exercise, education, work and leisure.” A surprising omission by Theobald (1979, 1980) and other commentators is Ellen White’s influence on commercial and business social action despite the size and strength of the Adventist economy. Her views in relation to business and commerce provide a normative measuring stick for understanding SHF accountability and stewardship. Ellen White’s interest in commerce and business are by no means marginal in her message to Adventists and form an important part of the Adventist lifestyle *blueprint*. Schwartz (1970, p 81) notes that to understand Adventist religious belief and social actions “we must look at secular implications of doctrinal commitments,” a view that is endorsed by Laughlin (1988) and Booth (1993, 1995).

4.4.2 Ellen White on Business and Accounting

Ellen White does not see religion and business as being mutually opposed: in fact, quite the reverse, despite warnings not to over emphasize business at the expense of religious activity. Ellen White suggests that business cannot be avoided by Adventist’s interested in perfecting their character. The following quotes typify her stance:

The Christian in his business life is to represent to the world the manner in which our Lord would conduct business enterprises. In every transaction he is to make manifest that God is his teacher. “Holiness unto the Lord” is to be written upon daybooks and ledgers, on deeds, receipts, and bills of exchanges. (White, 1898, p 556)

It requires a strong spiritual nerve to bring religion into the workshop and the business life, sanctifying the details of everyday life, and ordering every transaction according to the standard of God's word. But this is what the Lord requires. (White, 1930, pp 215-216)

While acknowledging the dangers in business activities, Ellen White notes practically that "Christians must work, they must engage in business ... [without] becom[ing] absorbed by business (1900, p 51)". Business decisions should not to be based upon mere chance but rather by shrewdness and close calculation, although these two activities are distinguished from scheming (White, 1958b, 1948b, 1948d). Ellen White often uses business analogies and symbols to make her point regarding spiritual matters, and in vision has seen heavenly activities associated with Adventism's central doctrine of the investigative audit replete with auditors, ledgers and books of record.¹¹ Ellen White's challenge to the leaders of the Adventist church is not to be men,

who are so narrow in their outlook that they will circumscribe the work instead of enlarging it, or who follow the motto: "Religion is religion; business is business". (White, 1948e, p 555)

It is not surprising therefore that scholars seeking to understand the social action of Adventism, detect within it traces of Weber's Protestant ethic (Borhek, 1953; Ballis, 1999; Schwartz, 1970; Theobald, 1974).

Ellen White viewed the role of accounting within Adventism both in the context of its institutional structures and at an individual level. She considered the teaching of bookkeeping a priority in Adventist schools while instructing Adventist institutions to draw up regular monthly accounts to disclose their true financial positions (White, 1923). Ellen White wrote that individual Adventist should learn how to keep accounts as a "way of helping to discharge life's responsibilities" (White, 1903, p

239). She specifically recommended the studying of accounting at Avondale, the Australasian training college, as a necessary preparation for the “duties of a practical life” (White, 1948f, p 182).¹² Adventist ministers were encouraged to learn book-keeping although she considered that the financial matters of the church should be the responsibility of trained businessmen not the clergy (White, 1948g). Ellen White explained,

Bookkeeping is, and ever will be, an important branch of the work; and those who become expert in it are greatly needed in our institutions and in all branches of the missionary work. It is a work that requires study that it may be done with correctness and dispatch, and without worry and overtaxation; but the training of competent persons for this work has been shamefully neglected. It is a disgrace to allow a work of such magnitude as ours to be done in a defective, inaccurate way. (White, 1948e, p 553)

While clearly encouraging the training and application of technical accounting practices, Ellen White proposed that such technical knowledge should be accompanied with the knowledge of moral values relating to truth, obedience, integrity and purity (White, 1903). In her view, accounting practices must have both technical efficiency and moral efficacy. Her valuing of accounting and accounting practices permeated all aspects of the organization, from managing churches and mission outreach, to managing Adventist owned organizations such as the print factories, schools and hospitals. This emphasis on accounting was well in advance of the business practices of many non-church affiliated organizations and underpinned the successes of the SHF.

4.4.3 Ellen White and Stewardship

Stewardship and accountability¹³ are terms with wide applicability within Ellen White’s writings and are linked to responsibility for material possessions and money, health, education, use of time and opportunity, and as spiritual repositories of God’s

truth (Board of Trustees, 1962c, pp 2701-2708). The giving of material means and making donations do not capture all the connotations of the terms as used by Ellen White; what she calls for is total personal commitment and personal service (White, 1948f). For Ellen White, stewardship and accountability are not an optional extra in the life of the Christian that is chosen by the faithful or rejected by an unfaithful steward. Stewardship carries consequences and the need to give an account to God. Ellen White writes,

All things belong to God. Men may ignore his claims...they may use His gifts for their selfish gratification; but they will be called to give an account for their stewardship. (White 1948i, p 246)

She believes “stewardship should have a practical bearing upon all the people of God” (White, 1948c, p 387). At an individual level it includes curtailing needless personal expenditure on items such as holidays, fashionable clothes, expensive houses and unhealthy dietary foods and beverages (Board of Trustees, 1962b, pp 1809-1816). For while money is not a curse, it provides Adventists with a “constant test of the affections”(White, 1952, p 372). The links between stewardship and the institutional church are explicit in Ellen White’s writings; Adventist institutions are challenged to be debt free and Adventist managers are instructed to discharge both their financial and spiritual obligations (White, 1923, 1948e, 1948g). Ellen White thus provides the Adventist minority with an all pervading sense of stewardship and accountability both individually and corporately, which impacts directly on Adventist institutions such as the SHF.

4.4.4 Ellen White and Food Businesses

Adventism’s official history links Ellen White’s visionary insight into the establishment of SHF.¹⁴ The Adventist food industries in Australia continued to be

supported by Ellen White even after she returned to America in 1900 (White, 1970). Adventist food industries were expected to be commercially viable and were seen as a potentially important source of employment for SDA members who were unable to find suitable work due to their commitment to observing Saturday as Sabbath (Barham, 1976; White, 1948g). One thing remains unambiguous and uncontested in Ellen White's writing: the commercial aspects of the food industries were not to override their religious goals. Ellen White combines the commercial and spiritual under the stewardship rubric when she states:

In all our plans we should remember that the health food work is the property of God and that it is not to be made a financial speculation for personal gain. *It is God's gift to His people, and the profits are to be used for the good of suffering humanity everywhere.* (White, 1948g, p 128; - emphasis added)

This comment demonstrates that for Ellen White God and profit were not incompatible while setting out using company profits "for suffering humanity" as an exacting test for Adventist accountability of the SHF. The Adventist leadership has used this test with alacrity throughout the period of this study. It is against this measure that the empirical evidence gathered in this study is tested.

4.5 Health and Adventism

The General Conference's¹⁵ *2001 Statistical Report* (pp 4-5) indicates that in 2001 around the world the SDA church operated 27 food industries, 169 hospitals and sanitariums and 386 clinics and dispensaries, with the total value of healthcare institutions in the United States estimated as being US \$5.7 billion with a net worth of US \$2.4 billion, the sixth-largest health-care system in the United-States (Morgan, 2001). Food industries represent a modest US \$200 million of that investment with a net worth of \$60 million, however the health principles behind this investment have

helped define breakfast cereal use within Anglo-American culture (Bull and Lockhart, 1989, 2007; Le Heron and Hayward, 2002; Morgan, 2001).

The development and motivation of Adventism's health message is a complex story and this thesis will confine itself to those aspects that impinge on SHF accountability and stewardship. Adventist and non-Adventist¹⁶ scholars acknowledge that health reform is not unique to Adventists nor did the preoccupation with health and health foods originate in a social vacuum. Adventists generally, and Ellen White in particular, borrowed liberally from early 19th century American health reformers including amongst others Sylvester Graham, Bronson Alcott, Larkin B. Coles, Russell T. Trall and James Caleb Jackson (Blake, 1974; Neufeld and Neuffer, 1996; Numbers, 1976, 1992). However, Adventists argue that God *imbued* the Adventist prophetess with divine insight to select the best from her contemporaries, to avoid extreme and faddish practices and to combine the often disparate concepts and health values into a formal package of health reform. Ellen White's visions on health reform are seen as:

...the method of God's choice ... thereby producing an effect which we could not have looked for from other means. (J.H Waggoner quoted in Neufeld and Neuffer, 1996, p 684)

In *Prophetess of Health*, Numbers (1976, 1992) challenged many key Adventist assumptions about Ellen White and key aspects of Adventist hagiography and necessitated a revision of Ellen White's role in Adventist health reform. However, both Adventist apologists and revisionists agree that it was acceptance of Ellen White's charismatic influence that compelled the Adventist community to make a religious duty out of health. After her initial vision on health in June 1863 Ellen White wrote:

I saw that it was a sacred duty to attend to our health, and arouse others to their duty...We should not be silent upon the subject of health, but should wake up minds to the subject. (quoted in Neufeld and Neuffer, 1996, p 683)

In linking health with religious duty Adventists adopted not only a strict temperance stance in regard to tobacco and alcohol but also a range of other dietary requirements. Craven (1984), claims that Adventism's dietary requirements are surpassed only by the Jews as a source of religious motivation. While most dietary requirements are not prescribed¹⁷ as a test of church membership they are widely adhered to and include abstinence from tea and coffee and the promotion of vegetarianism.¹⁸

The Adventist health emphasis has precipitated much of Adventism's institutionalization, with sanitariums being a means to offer products, programs and practical assistance in regard to health reform. The desire to staff these sanitariums with Adventists was an additional bonus by addressing the labour needs of marginalized Adventist sabbatarians and also saw the establishment of educational facilities, some which subsequently have become universities. Health reform was the motivation for inventive Adventists to develop cereal products and meat substitutes and a range of value-adding activities, which developed into fully fledged food industries and associated businesses including retail stores and health restaurants.

Despite accusations that many of Adventism's contemporary cultural positions in regard to health reform lack Biblical support and that there's virtually no New Testament basis for the Adventist version of vegetarianism, the beliefs and social action remain (Brunt, 1981; Bull and Lockhart, 1989, 2007; Christenson, 1981). The

religious duty that Adventism attaches to health reform is difficult to overemphasise.

Ellen White writes:

The medical missionary work is as the right arm to the third angel's message which must be proclaimed to a fallen world; and physicians, managers, and workers in any line, in acting faithfully their part are doing the work of the message. (White, 1948f, p 229)

Despite dangers of the “right arm” – the health message - dominating the body – the church – Ellen White saw health reform as having potential for evangelism and spreading the Adventist message while enhancing the movement with social respectability. The Adventist health and lifestyle practices have attracted much scholarly research primarily due to the lessened morbidity and delayed mortality, with Adventist males in some instances living up to six years longer than the general population (Schwarz, 1979; Webster and Rawson, 1979). This interest by medical researchers into Adventism's health practices invariably cast a light also on SHF's accountability and stewardship and its relationship with the Adventist church. SHF is the most visible illustration of social action within Australasian Adventism in regard to the promotion of their health ministry as a religious duty. The church promotes SHF as a vital partner to the church's overall mission, which includes promoting Adventist dietary practices as well as providing funds to the mission of the church (*Record*, 12/7/2008, p 8-9). Adventist understanding of SHF's accountability and stewardship practices are intimately connected with Adventist health beliefs both in terms of their own individual and group practices and in the way that they wish to influence and introduce themselves to the wider community. As the study will show in Chapter 5, the SHF role in promoting Adventist health practices is critically important to understanding SHF's accountability and stewardship. Although as noted in *Record* (12/7/2008, p 9) this accountability and stewardship would appear to be

confined to the Adventist community with SHF and other Adventist food factories being considered “...one of the movement’s “best-kept secrets.””

4.5.1 Dr John Harvey Kellogg

While few outside of Adventist community would know of Ellen White, the Adventist community themselves are unsure how to deal with their most famous son, Dr John Harvey Kellogg (Kellogg). The reason is that Kellogg has left Adventism with an ambiguous legacy (Schwarz, 1979). Schwarz (1969, p 15) has suggested that SDAs either remember Kellogg as a, “shadowy figure vaguely connected with the golden days of the Battle Creek Sanitarium and the early development of health *foods*” or as a “figure better forgotten [due to his] theological aberrations and organisational controversies”.

Kellogg’s impact on Adventism however continues to generate considerable scholarly interest from a sociological perspective (Bull, 1988, 1990; Bull and Lockhart, 1989, 2007; Butler, 1970; Graybill, 1979; Morgan, 2001; Numbers, 1976, 1992; Rice, 1970; Schwartz, 1970; Schwarz, 1969, 1972, 1990a, 1990b). Kellogg’s legacy is critical to this thesis, in part because of his historical links with SHF but more importantly because of his legacy as to what constitutes Adventism’s notion of humanitarian service, as the critical measuring stick of accountability for Adventist food industries. Parr and Litster’s (1995)¹⁹ historical account of the SHF demonstrates Kellogg’s contribution: he provided the food patents, skilled staff and funding. This was done on the condition that SHF profits should support the work of the Sydney Sanitarium.²⁰ The initial charitable legacy of the SHF is thus intimately connected with Kellogg’s vision of Adventist humanitarianism as it was

contemporaneously emerging in the USA. In particular that SHF profit should be used for the *medical missionary work* of the Adventist church²¹ and that its initial structures were patterned on Adventist institutions Kellogg controlled in the USA (Parr and Litster, 1995).

Bull and Lockhart (1989, 2007) argue that Kellogg provided Adventism with another source of goals in addition to its apocalyptic preoccupations, for it was Kellogg's fanatical devotion to Adventist health reform that turned it into a practical reality (Bull and Lockhart 1989, 2007; Numbers, 1992; Schwarz, 1972). Kellogg's promotion of Adventist health reform was an important factor in the multiple goals and diverse social actions of Adventism a factor which distinguishes this community from sects such as the Jehovah Witnesses and Mormons (Borhek, 1953, 1965; Bull and Lockhart, 1989, 2007; Schwartz, 1970; Theobald, 1974, 1979, 1980).

In promoting his version of Adventist health reform, Kellogg gained unprecedented fame across North America and beyond Adventist circles. Bull and Lockhart (2007, p 12) write that he "was something of a celebrity." Historian Will Durant described Kellogg's book, *The New Dietetics* as "one of the hundred best books ever published" and others considered him "worthy of a Nobel prize" (Bull and Lockhart, 2007, p 12). Kellogg was a widely acclaimed surgeon who successfully combined science and health reform. He was a widely read author on a range of health issues, including sexuality.²² He was instrumental in transforming the initial Adventist Sanitarium at Battle Creek (USA) from a fringe operation into a scientifically respected medical and surgical institution that attracted the world's elite.²³ And, critical for the present study, Kellogg saw a need "to develop adequate and palatable

food alternatives ... that have since become standard items on the world's food tables" (Bull and Lockhart, 1989, p 130). Among Kellogg's many innovations were the development of peanut butter, a range of cereals and meat substitutes introduced to promote a vegetarian diet, a diet that Kellogg considered fundamental to Adventist health reform (Schwarz, 1972; Schwarz, 1990b). No other church member in the history of Adventism has achieved the same level of social prominence as Kellogg did. At the turn of the last century then, Adventism had two leaders vying for supremacy; in some respects Kellogg's clash with the Adventist propheticess was inevitable and occurred not long after Ellen White's return from Australia to America.

4.5.2 Kellogg's Challenge to Adventism

Notwithstanding his significant contribution to the Adventist community and despite the fact that he had become the most influential Adventist in the community – or because of his notoriety – Kellogg continued to present an uncomfortable fit with Adventism. His vision to transform Adventism and to draw it away from the sectarian and apocalyptic fringe certainly was threatening to those within Adventism who placed an emphasis on its theological imperatives (Bull and Lockhart, 1989, 2007). In corporate articles that he wrote for the Battle Creek Sanitarium Association, which in 1901 was the flagship institution of Adventism. Kellogg was clear that belief in God and commitment to Christian principles rather than being a member of the Adventist church were the key criteria for employment in an Adventist institution. He argued that work at the sanitarium was to be carried on in "an undenominational, unsectarian, humanitarian and philanthropic" way regardless of one's religious affiliation (Schwarz, 1972, p 27).

Under Kellogg's leadership Adventism had become a pioneer of the social gospel movement, establishing inner-city missions whose primary goal was the alleviation of unemployment, homelessness and destitution. Kellogg was personally and financially involved and these endeavors initially enjoyed the support of Ellen White (Butler, 1970; Rice, 1970; Schwarz, 1969). Kellogg was convinced that his inventions would enable Adventist food industries to fund his humanitarian projects and thus allow Adventists to become "Good Samaritans" to the world (Schwarz, 1990b, p 45). Kellogg projected an Adventism that was non-sectarian, professional, open to science and one which encouraged the movement's best and brightest to join the medical profession.

It is not surprising, therefore, that Kellogg's activities provoked a negative reaction from some sections of the church particularly the clergy, resulting in his eventual disfellowshipping from the Adventist church.²⁴ What is critical in the present discussion is the widespread acknowledgment that Kellogg's legacy continues to produce actions and reactions within the Adventist community (Bull, 1988, 1990; Bull and Lockhart, 1989, 2007; Butler, 1970, 1992; Graybill, 1979; Morgan, 2001; Numbers, 1976, 1992; Rice, 1970; Schwartz, 1970; Schwarz, 1969, 1972, 1990a, 1990b). Kellogg's legacy is particularly significant for this study as it continues to influence SHF discourse and reports in regard to SHF's humanitarian goals. While Ellen White and Kellogg shared some common ground with regards to Adventist humanitarianism, clear and significant differences existed.

For Ellen White, the primary focus of Adventist humanitarianism was evangelistic. Adventists institutions were to be instruments for promoting the Adventist message

and extending the Adventist presence in the community. The successes of Adventist-run institutions were to be measured by their performance in promoting Adventist values and beliefs. While Kellogg embraced the broad framework of Adventist beliefs there is strong evidence that he did not embrace the movement's sectarian agenda. Kellogg argued that if evangelism became the priority of the medical missionary work, it would be perceived as sectarian (Board of Trustees, 1962b, pp 1667-1672; Bull and Lockhart, 1989, 2007; Numbers, 1992; White, 1970).

According to Bull and Lockhart:

Kellogg [related] to society on a different level from that of other Adventists. The average member, minister, or leader generally viewed the rest of the community from the standpoint of church affiliation and related to non-Adventists primarily in order to warn them to separate themselves from America, the two-horned beast. But Kellogg could approach the world as a medical professional, with a mission to heal – not damn – other Americans. This was probably an important factor in his distaste for sectarianism. With his eminence and his brilliant, if wayward mind, it was perhaps inevitable that Kellogg would bring a new perspective to the church. He stood for a social, benevolent Adventism that was virtually devoid of theological content. It embodied a looser attitude to Sabbath keeping, included institutions approved by society, accorded a distinguished position to doctors, and fostered a spirit of medical innovation. (Bull and Lockhart, 2007, p 305)

The same authors argue that by the turn of the century “Kellogg’s version of Adventism was in the ascendant.” He clashed with the administration at the General Conference. In the end he also clashed with the Adventist prophetess who had returned from Australia and had aligned herself with the Adventist leadership that Kellogg opposed.

The fact that Adventism humanitarianism is contestable has a direct impact on this thesis and SHF accountability and stewardship. This impact on SHF accountability occurs both within the Adventist community and the general community. It occurs within the Adventist community because of how the conflicting humanitarian

traditions are perceived and understood in the light of Ellen White's instructions that SHF "...is God's gift to His people, and the profits are to be used for the good of suffering humanity everywhere (White, 1948g, p 128)." It also impacts on the more recent efforts by SHF to manage and promote a charitable image of the company on the basis of giving all its profits to the Adventist church (*Herald Sun*, 11/3/2005, p 92).²⁵ In both instances, the nature of SHF's charitable accountability and stewardship is impacted by how such humanitarianism can be interpreted but still claim to be part of the Adventist tradition. It is often not clear which traditions are being invoked or whether the use of the traditions has been tailored to suit a particular audience or circumstance. Morgan (2001), accepts that officially the Adventist position still subordinates Adventism's humanitarian impulses to denominational interests as outlined by Ellen White. He also notes that beginning in the late 1960s, many Adventists were seeking to engage society and to rediscover "disinterested benevolence" advocated by John Harvey Kellogg in the nineteenth century. As Roy Branson put it, Kellogg and sympathisers wanted to meet human need, without a specific goal of baptisms in the Adventist church in mind (Morgan, 2001, p 164). While it is arguable to what extent Ellen White supported disinterested benevolence, the division between Ellen White, Adventist leaders and ministers on the one hand, and Kellogg and a growing band of sympathizers on the other, demonstrates that Adventism has within in it two humanitarian traditions.

Bull and Lockhart (2007, p 306) view "Kellogg's expulsion [as] a turning point in the history of the [Adventist] denomination". It profoundly altered the Adventist church with acceptance of Ellen White's inspiration for the first time becoming one of the criteria of church membership (Numbers, 1992). The Adventist community

also lost use of Kellogg's inventiveness to support their humanitarian work. Despite some early teething problems, Kellogg's faith in the commercial potential of his inventions was justified; his brother W. K. Kellogg bought out his brother's shares in the Battle Creek Toasted Corn Flake Company to create the famous multinational Kellogg Company (Kellogg Ltd) (Neufeld and Neuffer, 1996; Numbers, 1992; Schwarz, 1969; Schwarz, 1990b).²⁶ In the aftermath of Kellogg's exit the Adventist clergy gained control of Adventism's institutions. They were however "unable to eradicate the form of Adventism Kellogg advocated" (Bull and Lockhart, 1989, p 223). Kellogg's spirit continues to live on within the SHF.

4.5.3 Kellogg's Legacy – humanitarianism versus sectarianism

One cannot overestimate Kellogg's legacy within Adventism. He contributed to strengthening the role and influence of Adventist clergy within church institutions, including the SHF. He encouraged the organization to link Adventist institutions jurisdictionally with the church's official legal structures.²⁷ While Ellen White had the visions relating to health, Kellogg translated those visions into institutions; he provided the drive for the establishment of Adventist hospitals and treatment centres and a host of food factories and retail outlets producing and selling health food products that he and other pioneer Adventists devised. What is more difficult to estimate is the extent to which Adventist-owned institutions generally, and especially the SHF, has readopted Kellogg's humanitarian vision.

Bull and Lockhart (1989, 2007) and Bull (1988, 1990) connect Kellogg with contemporary Adventism most fully. Bull and Lockhart (1989, 2007), argue that after almost a century since his separation, Adventism has come to embrace his

health reform. This is true particularly of Adventist-run hospitals in the USA.²⁸ Bull and Lockhart argue that their administrative structures, economic independence, emphasis on Christian rather than Adventist values, and acceptance of a non-sectarian ethos, point to the influence of Kellogg. With regard to the Adventist hospital system, they argue (2007, p 309) that to visit the hospitals of the system today is to see an Adventism that is “of an undenominational, unsectarian, humanitarian and philanthropic nature”. Chief executives emphasize that they seek to promote Christian rather than specifically Adventist values.

It is tempting to attribute recent changes to the SHF organization in Australia and New Zealand also to Kellogg’s influence. The SHF has become administratively and economically separated from church structures. It now operates with a more pronounced humanitarian outlook and appears less focused on being seen to promote the Adventist church. Indirectly the SHF profits can be said to promote the Adventist cause although the SHF does not set out to support the church’s sectarian mission. SHF provides the only site in Adventism where the accountability of a mature, successful and ongoing food industry can be examined in the context of the competing sectarian versus humanitarian Adventist orientations.

Ellen White’s positive endorsement of the health food industries are often interpreted as supporting apologetic Adventist accounts of the SHF. However, her more ambiguous, hesitant and negative attitudes are largely ignored, as are her differences with Kellogg. Numbers describes the essential differences between their outlooks with regard to the health food work as follows:

When the commercial value of his Granose Flakes became apparent, as it soon did, Kellogg unselfishly offered to turn over production rights to the

Adventist church, accurately predicting that it could “make enough money out of it to support the entire denominational work.” But Mrs White ignored his offer, and a decade later vetoed a chance to obtain the rights to the even more successful cornflakes. She feared tying up so much time and talent in manufacturing mere temporal foods when they might be better spent supplying “the multitudes with the bread of life”... Her decision cost the church a fortune, which ultimately went into the pocket of Kellogg’s enterprising brother, W.K. (Numbers, 1992, p 189)

Church leaders deny that an offer was made for the church to purchase the food cereals business (E. G. White Estate, 1977)²⁹ and continued to do so twenty-five years later (Douglass, 2001). However, the substance of Numbers’ argument that Kellogg was willing to allow the Adventist church to engage in the production of his food products is not refuted. Indeed SHF continues to use product names given to them by Kellogg. Numbers’ (1992) account also highlights that the Adventist version of the SHF’s beginning is limited and one-sided (Parr, 1985; Parr and Litster, 1995). The positive view of Adventist food industries and SHF’s history arguably would be more akin to Kellogg’s optimistic vision than Ellen White’s dour outlook.³⁰ The tone of Ellen White’s writings changed during the Kellogg crisis, with the prophetess arguing that Adventist food industries should remain small and not take the church’s talent away from evangelism. She wrote,

[It] is the religious part of the work, the work of providing food for the soul, that is more essential than anything else. (White, 1970, p 77)

The Adventist prophetess had become committed to a cottage industry vision of the health food industries, noting:

It will not be wise to erect large food factories anywhere ... I have received light on the subject of large food factories, and the outlook is not favorable. (White, 1970, p 66)

Ellen White, it would appear, was less enthusiastic regarding the evangelistic potential of Adventist food industries than Adventist hospitals.

At the same time, SHF accountability cannot be separated from whether SHF embraces a sectarian or non-sectarian view of Adventist humanitarianism. The SHF clearly has a stated goal to generate profit for humanitarian purposes. While the humanitarian traditions maybe manipulated to accord with changing circumstances and expectations they can also be adapted to coincide with the role orientations of members (Borhek, 1953, 1965; Theobald, 1979).

Church leaders and members alike vacillate between competing Adventist traditions in their understanding of SHF accountability and stewardship (Graybill 1979; Theobald, 1979; Vance, 1999). The general community is less accommodating. Adventists may consider SHF accountability as a matter for the church to decide but the company's non-profit status makes the decision more contentious. Arguably, there may be wider public acceptance of the SHF's income tax-free status if the company's humanitarian credentials were less ambiguous. Exploring SHF accountability in terms of how it presents its humanitarian credentials to both the Adventist and general community lies at the heart of this thesis. Bull and Lockhart (1989, 2007) and Bull (1988, 1990) argue that Adventist health institutions have narrowed the gap between Adventism's apocalyptic heritage and mainstream Christianity. It is of some interest to speculate whether SHF accountability and stewardship has the potential to fulfill a similar role for the Adventist church in Australasia.

4.6 Seventh-day Adventist Institutionalism

When all is said and done with regards to its humanitarian orientation, SHF is one organization within a more complex institutional framework and therefore cannot be considered in isolation. Institutionalism is a central feature of Adventism. As SHF is a major institutional presence in the South Pacific Division (SPD)³¹ of Adventism, any understanding of SHF accountability requires it to be examined in the context of the movement's institutional mission. Institutionalism provides the basis for critical reflection particularly from the Adventist laity as to how such a large institutional investment contributes towards mission. A critique of SHF that relies on external factors alone would be incomplete.

Adventists have created an impressive sub-culture built around their institutions (Bull and Lockhart, 1989, 2007; Land, 1983; Theobald, 1974, 1979; Vance 1999). Almost by definition, an extensive alternative social system implies tensions with society and generates scholarly interest (Borhek, 1953; Bull and Lockhart, 1989, 2007; Land, 1983; Morgan, 2001; Schwartz, 1970; Theobald, 1979). Statistics do not adequately capture or convey the spirit of Adventism's alternative social system. The totality of the Adventist sub-culture is captured well by Bull and Lockhart in their tongue-in-cheek observation when they write:

Adventists can be born in Adventist hospitals, go to Adventist schools, obtain degrees from Adventist colleges, and receive further training in Adventist universities. They can buy Adventist food, read Adventist literature, listen to Adventist radio programs, and watch Adventist television productions. They can work in Adventist institutions, and, because Adventists tend to cluster around their institutions or administrative centers (forming what are known as Adventist "ghettoes"), they can live in an Adventist community. When they are ill, they can be treated in Adventist hospitals, and when they are old, they can live out their days in Adventist retirement centers. Adventism is an alternative social system that meets the needs of its members from the cradle to the grave. (1989, p 96)

The institutions are key instruments for attracting and retaining converts in the Adventist church. The SDA education system helps to keep the young people within an Adventist milieu while preparing them for Adventist service (Bull and Lockhart, 1989, 2007; Lawson, 1999). Butler (1986) and Wilson (1975) believe the establishment of institutions has given the burgeoning Adventist community a sense of organizational depth and accordingly some features of denominationalism comparable to mainline churches. The same institutions also have contributed to this religious community's engagement with society's civil and civic institutions (Morgan 2001).

Young's (1988) analysis of Adventism in Australasia revealed that in the late 1980s, one out of every thirteen of the 54,500 Adventists in Australia and New Zealand were in denominational employment. Even by Adventist standards this is an extraordinary sociological phenomenon.³² Arguably it can be related both directly and indirectly to the activities of the SHF. There is no way of knowing how many SHF employees are Adventist and while that number is in decline, SHF has helped create Adventist ghettos (Lawson, 1995) around which other Adventist institutions particularly schools, hospitals, retirement villages and churches evolved.

The SHF is a large and possibly the most important institution in the Adventist Church in Australia (Clapham, 1985; Trim, 1985). President of SPD and Chairman of SHF, Naden wrote the following message to SHF employees in the early 1970s.

Through the years I have thanked the Lord many times for the Health Food work, for its financial earnings that have provided at least one-third of our annual operations budget ... My greatest satisfaction, however, is not the financial contribution the Health Food work makes to the cause, important as this is; rather do I rejoice more as I see Health Food personnel leading out in local church activities. The spiritual impact that you all make within your

local church is to my mind your greatest contribution to the work of God in this part of the vineyard. (*Sanco News*, 1970, Vol 1(2), p 3)

Adventists apologists for the most part have taken for granted SHF's communitarian contribution to Australasian Adventism. There is some irony that Barham's (1976) thesis on the SDA church in Great Britain refers to the SHF's success in Australia to provide a comparative account to the Adventist experience in Great Britain where, he argues, the absence of institutions have stunted Adventism's growth. Barham (1976) argues that due to its poorly organized food industry, the Adventist movement in Great Britain lacked the necessary long term financial support and the provision of employment for church members to develop an institutional base necessary for growth. Barham's (1976) analysis highlights what Adventism in the SPD may have been like without the SHF. The SHF not only provided funds to establish Australia's Adventist school system in the mid 1930s (Schwarz, 1979), but just as importantly provided employment for Adventist parents. Clearly SHF stewardship goes beyond financial considerations to include an Adventist form of communitarianism.³³

While researchers are positive about the contribution of Adventist institutions to the sub-culture (Bull and Lockhart, 1989), a more critical view is currently emerging within Adventist academic circles acknowledging that many Adventist institutions are in crisis. In an interview for the *Adventist Professional*, (1992, Vol 4(1), p 15), George R. Knight, Professor of Church History at Andrews University³⁴ conceded, "It is hardly over-stating the case to say that many of our institutions are in crisis." Moreover the church finds itself being challenged between commitment to Adventism's mission and operating its institutions, a situation that is not new. Davis highlighted this tension.

In the 1920s, as today, Adventism found itself being pulled both toward the pole of professionalism and the pole of sectarianism. This tension ... has been present in Adventism ever since the early days of Battle Creek Sanitarium. (Davis, 1983, p 59)

Ellen White certainly supported institutional development of Adventism, but she also noted dangers, particularly losing sight of the primary purpose of Adventist institutions (Bull and Lockhart, 1989, 2007). These dangers have resulted in calls from time to time for Adventist institutions to return to Ellen White's blueprint (Davis, 1983; Land, 1986c; Morgan, 2001; Numbers, 1992).³⁵

Criticism of the SDA Church's institutionalism has ramifications for this thesis. If nothing else, it calls for candour in regard to the role and accountability function of the SHF within the SDA church. It is significant that calls for SHF to return to its blueprint are rarely heard. The absence of voices critical of SHF suggests that SHF continues to operate with minimal critical scrutiny in regard to its mission and purpose within the SDA church.

Parr and Litster's apologetic history of the SHF gives little evidence of any tension between SHF's growth and its evangelistic mission apart from one reference relating to the 1934 expansion of the SHF at Cooranbong.

[Some] ... gave their considered opinion that the management of the Company was flying in the face of prophecy, and that the money would be better spent in missionary endeavour. Fortunately, such Jeremiahs were not heeded and plans went ahead. (1995, p 44)

Adventist members may be aware of Ellen White's ambivalence to large food industries (White, 1970), however this awareness is offset with news of SHF's growing contribution to their church. Similarly Parr and Litster (1995) do not fully explore loss of mission when the SHF retail was closed in 1988, preferring instead to

focus on Ellen White's view that Adventist-run businesses should not suffer financial losses.

While the SDA church continues to celebrate its special relationship with the SHF, the accountability and stewardship of SHF remains opaque. If the Adventist hospital system could be said to enjoy an overt independence from the church's hierarchy (Bull and Lockhart, 1989, 2007), SHF independence is covert. The SHF is cloaked by a range of actions that remove the operation from close scrutiny by church members, including the absence of regular and detailed financial reporting, or the obligation to reveal how SHF directly supports the Adventist mission. The present study of SHF accountability has had to rely on alternative sources of information in Adventist publications or available references to SHF in church records. There is a dearth of information in the public domain in relation to SHF's connection with the Adventist church or in relation to its engagement with the wider community.

4.6.1 Organization

Despite the SHF's growing legal and economic independence, its accountability, whether considered normatively or empirically, is largely determined by church leaders in the SPD.³⁶ In the pyramid of Adventist organizational hierarchy, decisions are made top down, and flow from centre to the margins. The church is democratic in so far as church leaders are elected to office; however, the processes that are in place protect the status quo and frustrate radical change (Bull and Lockhart, 1989, 2007; *Adventist Professional* - 1991, Vol 3(3)).

Pearson (1990) points out that Adventist media typically do not report on organizational issues unless there is a major problem. Most critical analyses of the Adventist organization generally are undertaken by the laity outside of official channels, particularly in *Spectrum*. The journal is produced by the Association of Adventist Forums (AAF), an organization comprised of Adventist intellectual and professionals and primarily based in the USA. Similar critiques in Australasia can be found in *Adventist Professional*.

The SDA church members may not consider the church's organizational structure as having divine origins, nevertheless, change is slow (Schwarz, 1979). Teel (1980) observed that the pioneer Adventists organized because they were forming a legal and business organization rather than an ecclesiological body. As Adventism grew many of the institutions established - such as those operated by Kellogg - were not legally part of the church's official framework. The current church structure is largely based on the reforms undertaken between 1901-1903, following Ellen White's return to America and in the context of the simmering tensions with Kellogg (Oliver, 1989; Schwarz, 1979). Theobald (1979, p 130) argues that the new structure was marked by "bureaucratic rationality", "the principles of voluntarism" and the "prophetic utterances of Mrs White." In his Doctor of Divinity thesis, Oliver (1989), the current President of the SPD, argues that the 1901-1903 organizational restructure was focused primarily on the Adventist mission and lacked an ecclesiology. Oliver argues these structures are still the basis of SDA church operations:

The Seventh-day Adventist Church still operates with ecclesiological priorities which are better described as functional than ontological. A thorough, well-defined or systematic ecclesiological undergirding for its structure has not been formulated. Despite that deficiency, the impression is

often given...that the structures of organization in the church are not subject to adaptation or change...that rigidity is necessary for unity and that uniformity enhances organisational solidarity of the church. (1989, p 328)

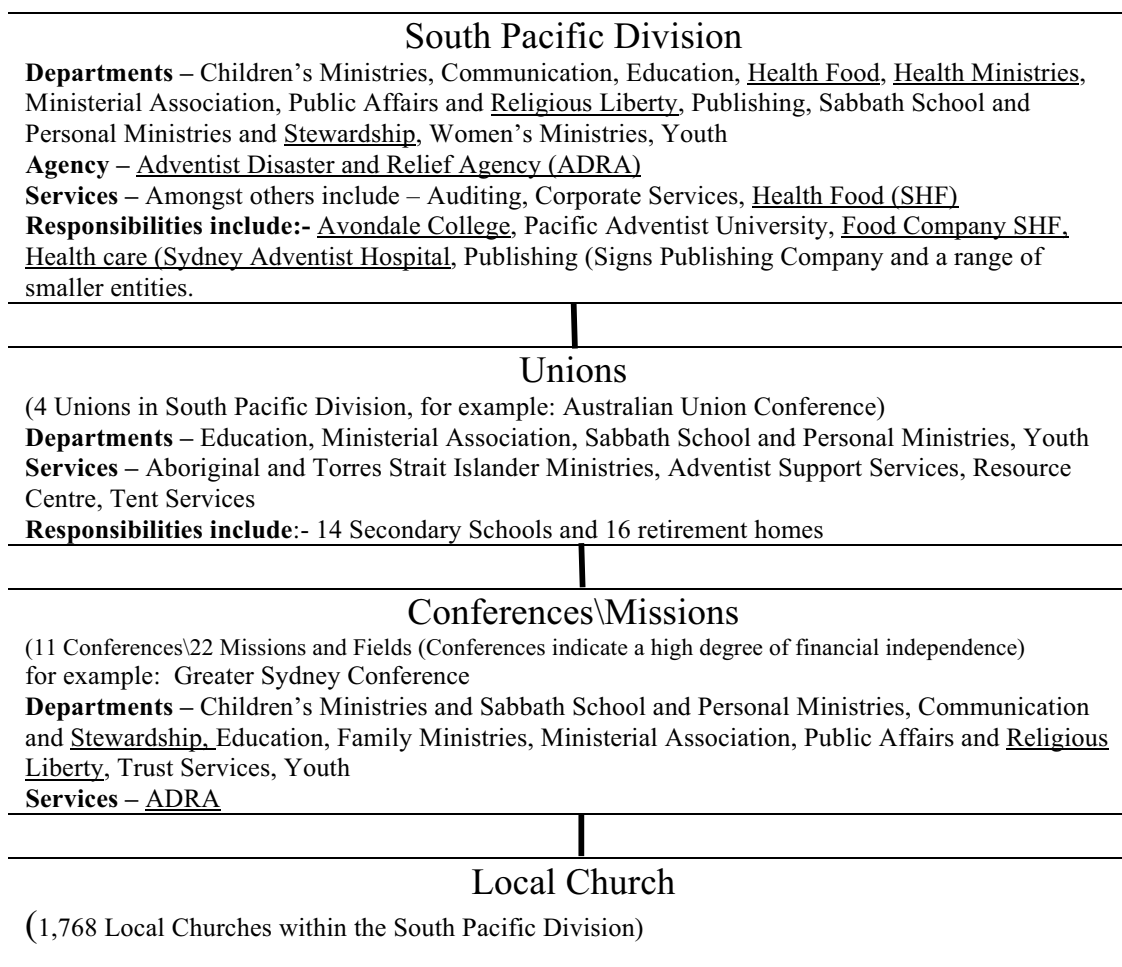
Reform ostensibly designed to achieve decentralisation, quickly became hierarchical and used to promote unity (Oliver, 1989). The 1901-1903 organizational structure established five organizational levels, with each tier having its own departments, agencies and services which were functionally linked to the church's mission. While the nomenclature used has been subject to constant revision, the department structure had become the salient feature of Adventist operations by 1910 (Schwarz, 1979). The five tier organizational structure for the Worldwide Church and the South Pacific Division are shown below in Figures 4.1.

Figure 4.1 - Organizational Structure of the Seventh-day Adventist Church



Figure 4.2 outlines the departmental structure of the SDA church in the SPD, with the SHF, health, stewardship and religious liberty aspects of the church underlined (General Conference of SDAs, 2002). The system also operates in a hierarchical fashion financially with funds flowing up and down the tiers according to formulas and policies devised at the General Conference and SPD level.

Fig 4.2 - Structure of the South Pacific Division of the Seventh-day Adventist Church



While early Adventism was a lay movement, the 1901-1903 reforms shifted control decisively from lay members to denominational employees, particularly the Adventist clergy. A survey conducted in 1987 by *Adventist Professional* (1989, Vol 1(1), pp 22-25) demonstrated that executive committees at all levels in the SPD with the exception of local church level are overwhelmingly controlled by denominational employees: 58 per cent at Conference level, 68 per cent at Union level and 86 per

cent at Division level. The high level of denominational employment at the division level is telling as most significant policy is set at this level.

The lack of input into Adventism's organizational structures by laity has been raised by Adventist intellectuals and professionals. Oliver recognizes this lay concern when he writes,

While the central church publications did not register a particularly significant increase in the number of articles published, the increase in the number of articles on church organization published in the quasi-Adventist publication *Spectrum* ... is indicative of the interest and concern of the church in the discussion. (Oliver, 1989, p 344)

Oliver's (1989) comment is revealing in so far as it indicates that Adventists in positions of leadership acknowledge the incongruence between an organization that commenced in protest against ecclesiastical bureaucracies but which subsequently established an organizational system not very different from the ones rejected.

A number of factors caused Adventist intellectuals and professionals to question the organizational structure of their church. Some of the pressure to review the church's organizational structure was in the way the church has responded to theological issues – church administrators with little or no theological expertise have right of veto on key issues of interpretation. The organization also has been beset with a number of financial scandals involving loss and misappropriation of church funds and mismanagement of the churches institutions (Aamodt et al, 1987; Dybdahl, 1981, 1982). Landa, a church historian writes,

Among Seventh-day Adventists, the Davenport affair, the perceived mismanagement at Harris Pine Mills, Loma Linda University and the Adventist Health System, the constant politicking among senior church officials, the reprehensible machinations at constituency meetings and on various boards and committees, the seeming lack of candor and accountability, and the reticence to involve experienced lay professionals in

strategic planning and policy development continue to reinforce the pervasive sense of suspicion and distrust. (*Adventist Professional* - 1993, Vol 5(3), p 14)

Church members have become more vocal and now question the lack of lay involvement and the authoritarian manner with which church authorities respond to issues. A host of Adventist employees – ministers and teachers – have been raising their voices at the lack of understanding by those in leadership of their concerns and lack of awareness of some in positions of responsibility to basic governance principles, let alone management theory and practices.³⁷ The lack of accountability on a host of issues, and particularly in relation to the organization's managing of financial resources has become a constant refrain among voices critical of the Adventist system. Criticism of Adventism's organizational structures by influential Adventists has a number of implications for the present study.

Questions with regards to SHF accountability and stewardship have to be considered against this much broader backdrop of concerns. Informants in the present study were similarly critical of the Adventist structure, some advocating the need for more radical and transparent reform. The debate over church structures also creates difficulty for denominational employees to participate candidly and without regard to their personal position. With SHF constantly being referred to as "God's gift to his people" any criticism of SHF is muted, relativised or simply ignored (Pearson, 1990), despite statements made even by church and SHF hierarchy as to the importance of accountability and the need for transparency regarding institutional operations.

4.6.2 Laity and Clergy

Adventism began as a lay movement but has quickly developed into a church organization dominated by clergy. This domination impinged directly upon the SHF and to some extent is still influential. Adventism's clerical structure is one of its sociological hallmarks and helps to distinguish it from other major nineteenth century American sects and contributes to its denominational appearance (Bull and Lockhart, 1989, 2007; Teel 1980; Wilson 1975). Theobald (1979, p 272) notes, however, that while a professional clergy has contributed to Adventism's formal bureaucratization it also has led to a good deal of "political passivity" amongst Adventist laity with the exception of some of its intellectuals and professional adherents.

Eric Magnusson, a former Principal of Avondale College, provides an Australasian perspective on the debate over Adventism's organizational structure. At its core, Magnusson argues, is the relationship that exists between the clergy and laity:

One of the largest difficulties is this: The church has the structure of an oligarchy while aspiring to the fairness of a democracy. It is built on a model of responsibility to a president rather than responsibility to a constituency. Democratic principles are tacked on (add laypeople to this or that committee) rather than being basic to the structure. The knowledge is concentrated in a few, with sensitive information unavailable to the people at large who, on democratic principles, have an irrevocable right to it. (*Adventist Professional* - 1991, Vol 3(3), p 23)

As a former member of the SPD executive, Magnusson was aware of all aspects of church operation, and the above observation is significant coming not from a malcontent but a respected layperson whose academic achievements are highly regarded. Implicit in what Magnusson says is the suggestion that he is not alone in making these criticisms. The criticisms are echoed in editorials and various articles in *Adventist Professional* calling for greater lay involvement and representation within

the SPD of the Adventist Church. Reports in *Adventist Professional* call for more openness and accountability and greater lay participation in decision making (*Adventist Professional* – 1989, Vol 1(2), pp 19-20; 1991, Vol 3(3), pp 12-14, 24-25; 1993, Vol 5(3), pp 10-16).

The views of Adventist intellectuals and professionals critical of the church structure and its management are particularly relevant to the present study because they touch on issues that have direct application to SHF. While the views articulated by contributors to *Adventist Professional* do not necessarily reflect the wider Adventist lay community, they are nevertheless the expressions of committed and loyal Adventists. As Lloyd, writes in an *Adventist Professional* editorial:

In all of this ‘lay activity’ something is coming through clearly and strongly. The efforts by laity to become more involved in Church policy formation and government are not the strivings of malcontents and fault-finders. These are loyal, committed leaders in the local churches, jealous for the advance of the gospel. These are, frequently, persons who are highly successful in their own businesses and determined to do all they can to see this Church make the wisest investment of all its resources - both financial and personal - both inside and outside of the paid workforce of the Church. (1989, Vol 1(2), p 12)

Clearly a study into the accountability of the SHF and its relationship to that church must go beyond the official pronouncements of this religious community. Official pronouncements are being challenged from within however it is not a secular challenge but one based around Adventism’s institutional paradox of how to best implement the movements’ mission in a post-modern world.

4.7 Stewardship

The *Seventh-day Adventist Encyclopedia* (Neufeld and Neuffer, 1996, p 705) notes that as used by Adventists the term stewardship has a broad application,

[and] refers to the responsibility of God's people for, and use of, everything entrusted to them by God - life, physical time, talents and abilities, material possessions, opportunities to be of service to others, and their knowledge of truth.

For Adventists, life becomes a divinely given opportunity to learn to be faithful stewards on earth so as to qualify for the stewardship of eternal and heavenly things.

Seventh-day Adventist Encyclopedia (1976, p705) records that,

human beings are accountable to God for stewardship, and ... a strict account will be required of them. Neglect or misuse of this God-given stewardship will mean the forfeiting of their privilege of higher stewardship in the world to come.

A more restricted use of the term refers to the wise use of material resources particularly in regard to tithes and offerings. The SDA church makes use of both stewardship terms to implement their tithing system, which provides the majority of the church's finances (Strayer, 1986; *Record* - 27/7/2002, pp 7-8; 11/1/2003, p 6). Bull and Lockhart (1989, 2007) argue that the wide acceptance of tithe paying within Adventism underscores the collective and trustful nature of Adventists regarding financial matters because individually church members have little say in how these funds are used. This thesis draws on the wide acceptance of tithing stewardship within Adventism as evidence that this religious community is sensitized to the importance of stewardship and accountability both temporally and eternally.

Schwartz (1970) found that Adventists both teach and practice that Christian stewardship imposes obligations on Christ's followers, to be prudent in their management of money and frugal in their spending regardless of their financial circumstances. Such rationality underpins the economic progress made by many individual Adventists who live moderately while making investments in long-term items such as homes and education. Theobald (1979) acknowledges the spiritual

roots of stewardship within Adventism, along with its association with physical and mental health. While Theobald (1979, p 291) considers that Schwartz's achievement orientated view of Adventists an exaggeration, he acknowledges that achievement themes examined by Schwartz "figure prominently in SDA literature and ... in church life generally." These themes clustered around the Adventist concept of stewardship and accountability place a "heavy emphasis on hard work, trustworthiness, self-discipline and self-improvement, and, equally important how the cultivation of these virtues will lead to a storing up of treasures on earth (Theobald, 1979, p 290)". As noted in *Seventh-day Adventist Encyclopedia* Adventists draw a link between the practising of earthly stewardship to ensure the exercising of heavenly stewardship.

Adventist stewardship in accordance with Ellen White's counsel places an emphasis on system and rationality and promotes the learning and use of book-keeping and accounting as a hallmark of God's character (White, 1948a). This broader understanding of the term stewardship as used by Adventists closely aligns with the more widely used secular terms of accountability and governance.

Adventism's fears of state intervention in religious matters have been advanced by Morgan (2001) as a major reason for Adventism resisting state enforced accountability and governance practices, including the decision to seek freedom in the US from Equal Opportunity Laws (Morgan 2001; Welebir, 1978). While the church accepts that its financial operations and laws affecting them are subject to State regulation it would also appear that without such regulation that minimalist reporting options are adopted as is evidenced by SHF reports (Morgan, 2001; Harrison, 1981). These beliefs and practices have been highlighted by two recent

Australian Government inquiries into the status of charities.³⁸ SHF's avoidance of close scrutiny of its accountability activities on the grounds that its commercial activities are connected with a religious mission and heavenly stewardship is worthy of scholarly investigation.

4.8 Conclusion

This chapter has sought to map the contours of the Adventist organization in a manner that simultaneously highlighted the key organizational structures, people, beliefs and assumptions that contributed to defining the movement and have established the boundaries of the growth and activities of the SHF. A key point of the chapter is that the SHF does not operate in a social vacuum.

The chapter noted that a crucial aspect of this being a belief in an imminent return of Christ which is paradoxically associated with the social action of institutionalism, of which SHF in the SPD of Adventism is a unique example. While the Adventist paradox is widely recognized by outside scholars it is barely recognized by Adventist believers who see it as a coherent package of beliefs and practices and thus confirm Adventism's ability to infuse secular activities with sacred meaning (Schwarz, 1970; Theobald, 1974, 1979).

The genesis of the Adventist health food industry is dominated by the beliefs and activities of Ellen White, the movement's prophetess and the views and inventions of Doctor John Harvey Kellogg. Ellen White helped to promote Adventist institutionalism, a blueprint on how to live the Adventist life and made health into a religious duty. Adventist preoccupation with health thus became a major driver for

building Adventist institutions with SHF being a unique example of that preoccupation. While apologetic accounts emphasize Ellen White's vision in promoting food industries, Adventism's preoccupation with health and food industries also were heavily dependent on the role of the vision and social action of John Harvey Kellogg. The division between Ellen White and Kellogg that finally led to Kellogg's separation from Adventism at the turn of the last century helped crystallize and define two contrasting approaches to social action. The dominant approach draws on Ellen White and focuses on promoting Adventist beliefs and sect values. The second approach that is associated with the marginalized Kellogg focused on humanitarian action that is free of denominational labels. These two orientations continue to challenge the Adventist community and activities of the SHF. While both believed that the profits of Adventist food factories should be used for suffering humanity, their legacy diverged on whether the humanitarian support provided by SHF should be non-sectarian, open, inclusive or alternatively sectarian, relatively closed, exclusive, and driven by Adventist theological imperatives. Adventism's paradoxical institutional development outside of an ecclesiological structure has meant that Adventist institutions are considered as part of the Adventist mission. However this mission is not one dimensional as it must meet the functional needs of Adventist adherents who have different expectations of that mission via their role orientation. The inherent tensions within Adventism's centrally controlled and hierarchical structure have also created calls by some Adventist professionals and intellectuals for greater transparency.

Amidst such complexity sits SHF's accountability and stewardship considered by Adventists to be the property of God but with both temporal and otherworldly

implications. This chapter has drawn attention to how understanding Adventist beliefs and the resultant social actions provide the underlying rationale, meaning and interpretation of SHF accountability. Adventist motivation to manufacture health foods is a social action promoted by their belief in health being a religious duty and connected with their remnant status. SHF thus has clear accountabilities to support Adventism's health mission and attached religious duties. In addition there are accountabilities attached to how SHF profits are used for charitable and humanitarian purposes, which are complicated by the ambiguous use of those terms within Adventism's diverse orientations. SHF accountability and stewardship are thus built around an intertwining of non-financial and financial goals arising from the business's responsibility towards Adventism's beliefs and social action.

¹ Seventh-day Adventists trace their beginnings to the prophetic interpretations of William Miller (Neufeld and Neuffer, 1996). When Miller's prophetic interpretation failed to eventuate, the movement splintered, the Adventist church grew from one of these splinters (Butler, 1986, 1987).

² These two references are representative of many Adventist apologetic works. Schwarz (1979), in *Light Bearers to the Remnant*, is a good source of other references.

³ Ballis, 1999; Borhek, 1953, 1965; Bull and Lockhart, 1989, 2007; Bull, 1990; Butler, 1986, 1987; Graybill, 1979; Land 1973, 1986a, 1986b, 1986c; Lawson, 1995, 1999; Morgan, 1994, 2001; Numbers, 1976, 1992; Pearson, 1990; Schwartz, 1970; Schwarz, 1979; Teel, 1980; Theobald, 1974, 1979, 1980; Vance, 1999; Wilson, 1975.

⁴ Expatriate Adventist scholars are scholars who have been dismissed or felt obliged to leave Adventist employment. In many instances they have also ceased active involvement with the church. Ballis, Butler, Graybill and Numbers can be considered as expatriate Adventist scholars.

⁵ Ballis (1999, p 9), uses the term jibe.

⁶ The German De-Vau-Ge, is the only other large Adventist food industry with employment increasing from 360 to 1200 since 1993. (*German Adventist Food Industry*, 2003)

⁷ Borhek - Completed a Master of Arts, from the University of California (1953), on the '*Social Bases of Participation in the Seventh-day Adventist Church*.'

⁸ Bull and Lockhart (1989, 2007) note that Ellen White also has had a psychological impact on individual Adventists along with contributing to their individual and collective social experience.

⁹ The first edition of Numbers book was published in 1976. The Introduction to the Revised 1992 edition by Jonathan M. Butler, provides a detailed account of the impact of the original book, and has provided important insights in regard to Ellen White in this thesis.

¹⁰ Not all of these institutions still operate. However the link between Ellen White and Adventist institutional development is clearly still valid.

¹¹ Refer to – Hardy et al, (2007).

¹² Hook (1998) notes that bookkeeping and commercial subjects were offered as part of Avondale's initial curriculum, arguably the first such offering in an Australian tertiary institution.

¹³ One informant noted that the central theme of Ellen White's work was accountability.

¹⁴ Refer to Parr and Litster (1995). One of these authors during interview insisted that Ellen White's son Willie had the key role. However his fellow author followed the widely held Adventist perception of Ellen White having the primary role.

¹⁵ SDA's highest governing body.

¹⁶ Ronald L. Numbers' (1976, 1992) work is the most authoritative account of Adventist health reform.

¹⁷ Abstinence from unclean meats, such as pork became an official doctrine of the church in May 1980, (Bull and Lockhart, 1989).

¹⁸ The motivation for a vegetarian diet has changed within Adventism over time. Numbers (1976, 1992) noted while initially promoted to control sexual urges it later was done to avoid disease. More recent arguments have included personal responsibility for a wholistic attitude to health and Singer's speciesism argument (Brunt, 1981; Bull and Lockhart, 1989, 2007; Casey, 1981).

¹⁹ Parr and Litster's book has no publication date. *Sanco News* (1995, Vol 27(3), p 3) noted it was available at the end of 1995, which is the date used in this thesis.

²⁰ Subsequently renamed the Sydney Adventist Hospital

²¹ White, (Board of Trustees, 1962b, pp 1667-1672), uses the term *medical missionary* as a rubric for activities associated with health reform.

²² Bull and Lockhart (1989, pp 10, 132) use John Money, *The Destroying Angel: Sex, Fitness and Food in the Legacy of Degeneracy Theory* (New York: Prometheus Books, 1985) on Kellogg's connection to the famed Victorian attitude to sex.

²³ Refer to Schwarz (1990a, 1990b) who indicates the diverse range of people who used Battle Creek Sanitarium, including Alfred Dupont and John D Rockefeller.

²⁴ For further information on Kellogg's disfellowshipping, refer to Butler, (1970); Schwarz, (1972); Neufeld and Neuffer, (1996); Numbers, (1992).

²⁵ Refer also to *SHF Tax Status*, (2008).

²⁶ Kellogg used the money from this sale to support the Battle Creek Sanitarium. W K Kellogg was disfellowshipped from the Adventist church at the same time as his brother.

²⁷ Prior to Kellogg's removal this was not always the case (Schwarz, 1972).

²⁸ Bull and Lockhart's (1989, 2007) observations would also apply to the Sydney Adventist Hospital.

²⁹ Numbers (1977) responded to this criticism by the White Estate.

³⁰ One informant noted that Ellen White's positive views of Adventist food industries were mainly written in the US after she returned from Australia. These included her much quoted reference that food industries are "*God's gift to his people*". The same informant however did not mention her many cautionary remarks on Adventist involvement with the food industries.

³¹ The SPD was previously known as the Australasian Division. For consistency this thesis will use SPD when referring to the Adventist operation in Australasia.

³² Pearson (1990, p 32) indicates that about 2.5 per cent of Adventists are employed by the Church. The *General Conference annual statistical report* (2001) noted that the SHF had 1,606 employees.

³³ Adventism's communitarian approach is highlighted by Bull and Lockhart (1989, p 103) who state, "From an economic point of view, Adventist society espouses collaboration rather than competition and prefers central planning to individual or local initiative."

³⁴ Andrews University is Adventism's senior Theological Seminary in Berrien Springs, Michigan, USA. The *Adventist Professional* is a publication of the Association of Business and Professional Members Limited, an Australasian lay organization.

³⁵ A call to return to Ellen White's blueprint was made at Avondale College from 1974-1978. It involved making Avondale self-sufficient in food production.

³⁶ The SDA church's worldwide governing body is the General Conference. It has thirteen constituent divisions and unions one of which is the SPD. The SPD comprises Australia, New Zealand, Melanesia, Western Polynesia and parts of Micronesia.

³⁷ The following *Spectrum* articles are representative and are presented in a chronological order: Barclay et al, (1972); Hillock, (1972); Dybdahl and Chapman, (1973); Land, (1975); Welebir, (1978); Harrison, (1981); Dybdahl, (1981); Dybdahl, (1982); Dwyer, (1983a, 1983b, 1983c); Walters, (1984); Task Force Report, (1984a, 1984b); Colvin, (1984); Cottrell, (1984); Dwyer, (1984); Aamodt et al, (1987); Young, (1988); Branson, (1991); Editorial, (1994); Sickler, (1995); Brunt, (1995); Sickler, (1996); Geraty, (1999).

³⁸ Over the period of this study 1970-2008 there have been four Australian government inquiries into the non-profit sector. The first being “The Industry Commission Inquiry into Charitable Organizations”, in 1994; and second “The Inquiry into the Definition of Charities and Related Organizations”, in 2001. In 2008, the newly elected Rudd government launched two additional inquiries the first being undertaken by the Australian Federal Parliament’s Senate Standing Committee on Economics and the second a concurrent review by the Commonwealth Government’s Treasury Department. The 2008 inquiries were due to report as the PhD was submitted.

Chapter 5

Societal Accounting

5.1 Introduction

There are two distinct views of SHF: one from the Adventist community and a second from the 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.”¹ Adventists would be familiar with the gentlemanly notion, while the secretive view is at odds with constant references to SHF within Adventist media.² These differences do, however, provide a natural division within this thesis for the consideration of SHF accountability. For the mainstream media is overwhelmingly concerned with SHF status as a non-profit organization despite its commercial activity while it 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 media.

The term societal accounting is used here alongside social accounting. Gray (2002, p 687) equates *social accounting* with all forms of “accounts which go beyond the economic.” In practice the literature tends to restrict social accounting to social responsibility accounting, corporate social reporting and environmental accounting. Gray (2002) also acknowledges that this (self-styled) social accounting has largely ignored the broader giving and receiving of accounts associated with individuals, family, groups and, it may be added, religious communities. The term social

accounting while being used within this study would by itself act to restrain the broader application of accounting and accountability as envisaged in the observations and calls within the literature to explore the social underpinnings of the social with all forms of accountings (Burchell et al, 1980; Hopwood, 1985, 1987; Miller, 1994, 2001; Miller and Rose, 1990; Rose and Miller, 1992). Historical studies have been shown to have been one of the most effective means of demonstrating how the social and broader accounting is intertwined (Hopwood, 1985; Napier, 2006). Napier's (2006) review of "30 years of historical accounting research" within *Accounting, Organizations and Society* demonstrates how a number of historical studies have contributed to understanding accounting beyond the economic and represent the notion of societal accounting as used in this study.

This chapter focuses on SHF's non-financial stewardship as it relates to Adventist belief and cultural action, in particular how SHF contributes to Adventism's identity and mission as well as contributing to promoting the movement's communitarian role. Chapter 6 concerns itself with the more problematic areas of SHF's financial accountability, while Chapter 7 explores how the use of SHF profit reflects on the business's charitable status. This structure has been employed for several reasons. First, it enables a judgement to be made in regard to how Adventist beliefs constrain and influence the commercial impulses of SHF. Second, as financial information is often treated within Adventist Media as an incidental although welcome by-product of SHF's non-financial accountability and stewardship, logic suggests it should be examined first. Third, a reading of Adventist media concerning SHF would suggest an inversion of the triple-bottom line within a commercial organization, with non-financial accountability enjoying similar status and clearly more detail than financial

accountability. Fourth, the proposed structure is an effective means of highlighting the different views of SHF accountability and stewardship held by the Adventist and general community. Finally it provides a context to understand SHF's financial accountability and charitable motivations.

5.2 SHF Mission

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 the vital energies of [the SHF], ...so often referred to as "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), p 1)

Locating SHF at Adventism's heart, if empirically supported, would provide a unique religious dimension to SHF accountability and stewardship despite its commercial orientation. Insight into SHF's mission and links with Adventism occur via a continuing narrative within Adventist media, particularly the *Record*. This narrative thread promotes an emotional and cultural connection between Adventists and SHF with references to SHF's humble beginnings, God's leading and links with Adventism's theological destiny.³ Recalling SHF history is tantamount to recounting God's leading, for SHF has in the words of Ellen White the Adventist prophetess, "...nothing to fear for the future, except we forget...past history" (Parr and Litster, 1995, p 9; *Record* – 30/3/1985, p 8). Despite never providing regular or detailed financial reports to Adventist constituents, SHF remains deeply rooted in the movement's historical consciousness and heritage.⁴ For most SPD Adventists, SHF's commercial success can be observed at the local Supermarket, with shelves full of Weet-Bix and So-Good.⁵ While commercial success is acknowledged, it is often clothed and at times appears incidental to SHF's other bottom lines. SHF's

commercial bottom line and how the business's profits are used for charitable and humanitarian purposes will be considered in greater detail in Chapters 6 and 7 respectively.

SHF narrative celebrates the company's initial contribution in 1906 of 25 golden sovereigns to SDA mission work and uses this symbolically to recognise that although SHF's material contribution to Adventism remains largely unquantified, it has in the words of one informant, made Adventism in the antipodes and South Pacific, "sustainable." For apart from North America, SPD is the only other Division in World Adventism that has proved capable of having self-funded mission outreach and high degree of institutionalism replicating the North American Division (*Record* - 26/11/1983, pp 10-11; 30/3/1985, pp 4-5; 29/11/2003, pp 8-9; Others - Parr and Litster, 1995; Maxwell, 1966; Johns and Utt, 1977). Despite the acknowledgement, gratitude and evidence of SHF financial accountability, such acts of generosity have been over-shadowed and constantly tempered either directly or indirectly by SHF's non-financial accountability. As there is no authoritative SHF mission statement, SHF bottom lines are determined by the SHF narrative within the Adventist media.

Parr and Litster's (1995, p 220) SHF history gives little attention to financial matters. They italicize an early 20th century quote from *Record* to demonstrate SHF's progress. "*Our balance-sheet for the year shows a fair standing, and from a spiritual standpoint we are seeing some fruit.*" And then, immediately and significantly from this thesis's perspective, they add years later,

The "spiritual standpoint" is a pleasing inclusion, for the entire work of the Health Food Company, then and now, is more than profits. (Parr and Litster, 1995, p 220)

This attitude exemplifies the Adventist tradition concerning SHF accountability. The focus is on connecting the past to the present, minimising financial detail and calling attention to SHF's religious role. The term spiritual highlights SHF's mission in supporting Adventism's historical mission as God's remnant church. A key element in SHF's mission is to help promote Adventism's religious duty to embrace healthful living. Smith, SHF's CEO when reflecting on the Sanitarium's 100th anniversary writes,

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, p 2)

While the general community may know something of SHF's interest in health, it is extremely problematic that it knows, recognises or cares about how the products and activities of SHF relates to Adventism's religious duties. However, from an Adventist viewpoint, the need for SHF accountability to reflect Adventism's philosophy is critical.

SHF mission is not limited to health matters. Adventism is known for systematically integrating a wide range of beliefs and activities. Further bottom lines are thus indicated in two separate reports in *Sanco News* by, then SHF General Manager, Eugene Grosser,

Brother Grosser quoted some of the statements of the public's opinion of our Company, and one was that we are dependable and trustworthy. We have an edge on other Companies. There were some excellent quotations from Ellen White, stating that we should produce healthful foods and educate the people in the use of them. We should also be profitable, so that our lifestyle and fundraising can help suffering humanity and eventually bring people to Christ. In addition to this we were able to employ people who wish to keep the 7th Day Sabbath.' (1988, Vol 19(1), p 9)

Grosser's 1987 Christmas message to SHF employees stated,

Have you ever stopped to realize that the Sanitarium Health Food Company exists because of the Christmas Story...

The SHF is part of an organization committed to telling that story to the world. As a commercial arm of the Seventh Day Adventist Church we are able to provide a considerable amount of support to its work in the community, not only to introduce to people God and His plan for man's restoration in the context of eternity, but also to a better way of life now.

Today we are part of a network of such enterprises...dedicated to relieving suffering humanity...As we reflect for a few moments on...1987, let us remember why we are here and what we stand for. (*Sanco News*-1987, Vol 18(4), p 1)

While reemphasizing SHF's commercial, spiritual and health mission, Grosser's statements also importantly make reference to, the employment of Adventists, support for Adventist community work, and importantly the relief of suffering humanity. These additional bottom lines are significant for, as one informant noted, SHF has acted as social "glue" for Australasian Adventism, providing the "sociological force" behind Adventism's considerable institutional achievements that belie its small membership. Additionally, as already indicated, the humanitarian credentials of SHF accountability and how these are presented to both the Adventist community and the public, are at the core of this thesis.

Surprisingly, however SHF's mission statement on its website makes no reference to the Adventist church. The mission 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, 2005)

The vague reference to a "better life" could be interpreted by an initiated Adventist as a spiritual message. However the Adventist community views the mission of the

SHF differently by focusing more explicitly on the role of the SHF in promoting core Adventist beliefs and funding core Adventist activities. The following comments draw from Adventist published sources and from key Adventist Authorities to highlight the understanding of members as to the role of the SHF. Its mission is to:-

- Preserve an Adventist purpose and identity within SHF - *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.
- 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.
- Be engaged in Adventist evangelism (direct and indirect), examples have included in the past, cafeterias and retail shops; and currently the Nutritional Educational Service (NES) and support for 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.
- Provide work for Adventists - particularly blue collar Adventists to allow Saturday Sabbath keeping. *Sanco News* – 1988, Vol 19(1), p 9; *Sanco News*, 1973, Vol 4, (5); Chapman Report (1936); Informants.

- Maintain a communitarian role with Adventist institutions, particularly educational institutions. Litster, Original Chapter 26 for ‘What God Hath Wrought’; Chapman Report (1936); Informants.
- Provide funds to sustain the spiritual, community and humanitarian work of 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* (Date Unknown).

The seeming contradiction between SHF’s stated mission and Adventist members’ inferred understanding of that mission provide the basis of SHF accountability to be considered in this thesis. The above six responses provide a framework for this and the next two chapters. The focus on the present chapter is the first five comments which focus primarily on SHF’s non-financial goals as understood by Adventist members. The rest of the chapter is divided into five sections. First it will demonstrate SHF’s close alliance with and support of Adventism’s belief and mission. Second, it explores how SHF operates as a form of soft evangelism to promote Adventist health benefits. Third it examines the organization’s communitarian activities and how this has promoted reciprocal stewardship between SHF and the company’s shareholders. Fourth the chapter examines SHF’s corporate activism and the surprising omission of this aspect of SHF’s non-financial accountability and stewardship from general Adventist discourse about the company. Finally, the chapter explores the apparent tension between the company’s stated goal and the member’s inferred understanding of the SHF’s mission.

5.3 Preserving SHF's Adventist Purpose and Identity

The Adventist movement has made health into a religious duty, in particular by promoting vegetarianism and abstinence from drugs including alcohol, tobacco, tea and coffee. It is difficult to understand the grip that vegetarianism has on the Adventist psyche. Despite it being virtually unknown in other Christian faiths vegetarianism is considered to be the mark of a truly loyal Adventist. While Adventists are not prohibited from eating clean meat⁶, Adventist etiquette demands that only vegetarian menus are used at official functions (Brunt, 1981; Casey, 1981; Christenson, 1981). SHF identifies with and upholds Adventism's dietary and abstinence rules. The organization requires that all work related functions follow Adventism's vegetarian etiquette and be alcohol free. SHF canteens do not serve meat and meat eating is discouraged among the workforce. This is one area where the SHF had never shied away from connecting itself with the Adventist church and its philosophy⁷ (*Record* - 21/10/1995, p 13; 17/7/1999, p 7; Christenson, 1981).

Adventists have attracted much scientific interest as a control group in health testing on account of their dietary lifestyle. There is research evidence suggesting that vegetarianism has had a significant role in reducing cancers and heart disease amongst Adventists. Harrold, director of Health in the SPD writes,

Seventh-day Adventists have been described by Henry Troyer as "the most researched religious group." More than 200 reputable scientific research articles published on the health of Adventists attest to the wisdom of the health teachings and practices that are ours. (*Record* – 20/5/1995, p 7)

These scientific studies provide Adventism with a sense of social acceptance and respectability. The focus on health is intimately connected with the accountability of SHF. In Australasia, Adventism's vegetarian lifestyle has evolved around SHF

cuisine both in terms of product and style, despite the fact that SHF vegetarian food production is reported as being unprofitable (*Record* – 17/7/1999, p 49). SHF nutritionists and scientists provide Adventist belief in their diet with a sense of rationality and credibility. SHF plays a key role by informing the Adventism media regarding dietary practices and cultivating an image of moderation,⁸ Adventists want to be seen not as fanatics but as healthy people, who own a health food factory producing “nut foods”, not a food factory for “food nuts”.⁹

In the Adventist consciousness, use of terms such as vegetarianism, temperance or any other element of wholism evokes links with SHF. *Record* makes constant reference to these issues with the SDA church having a Health Week as part of their liturgical calendar. Swannell captures the spirit of these terms by associating them with Adventism’s health and moral issues.

One of the greatest, and perhaps the most unique, contributions that the Seventh-day Adventist Church has made relates to its teaching on the nature of man. Throughout most of recorded history...Man was compartmentalized. His religious activities ...were to be kept separate and distinct from his secular activities...Then along came the Adventist Church with its revolutionary concept of the intimate, inseparable and interdependent relationships between body, mind and spirit. It taught that man’s spiritual health was closely related to physical health. (*Record* -9/6/1980, p 1)

One informant in the present study noted that the SHF has always been more than a “commercial organization” for you cannot “understand God unless you have a healthy mind.” Adventists thus see the impact of the SHF extending to an understanding of God. While loyalty to Adventism’s purpose and ideals is the most esoteric of SHF’s non-financial goals, this loyalty is also evident in SHF’s support for Adventism’s dietary lifestyle. SHF must scrupulously promote Adventist health values in its production process. For example when *Choice*¹⁰ reported that SHF grape

juice contained a level of .1 per cent alcohol, *Record* provided a detailed reply, highlighting the safety and naturalness of this level of alcohol in food and how this was consistent with SHF accountability and Adventist beliefs (*Record* –14/4/1984, p 12). Periodic reports of SHF using meat by-products or evidence of SHF being linked to Adventism's dietary taboos always bring a swift response in *Record*. An example of which states,

Sanitarium wishes to make it clear that there is absolutely no animal product, by-product, nor extract in anything manufactured by the company. (*Record*, 13/4/1996, p 4)

The issue is highlighted more starkly after SHF sponsored a *Women's Weekly*¹¹ supplement which in part contained pictures of prawns, oysters, pork and alcoholic beverages. As the prohibition of these foods lie at that heart of Adventism dietary restrictions, SHF asked *Women's Weekly* for an apology and quickly communicated this fact to their Adventist members. *Record* (19/9/1993, p 5) informed Adventists 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 identify closely with the SDA church. Indeed SHF's accountability in matters pertaining to diet are so strong that when the company stopped producing vegetable based gravy it alerted SDA consumers to a product made by a competitor (*Record* – 4/10/1997, p 5).

The movement's stringent dietary rules provide a perennial and seemingly unending discussion and debate about Adventism. Discussion typically revolves around whether Ellen White's blue-print is appropriately followed or understood, with SHF scientists and nutritionists often being asked to provide a rational and scientific legitimation.¹² When SHF entered into a commercial arrangement with Dick Smith Foods (DSF) and McDonald's, the primary concern for members was not the commercial arrangement, but the potential conflict with Adventist dietary beliefs and practices. One member wrote to *Record* asking,

[will] Sanitarium be changing its name to the Sanitarium Food Company, as DSF produces products such as jelly, biscuits and jams that are hardly health products (15/3/2003, p 12).

Another complained that SHF's arrangements with McDonalds were inappropriate because, among other things, McDonalds "has done more [arguably] to destroy good eating habits" than any other single organization (*Record*—13/9/2003, p 13). SHF's responded to such criticisms in *Record* (13/9/2003, p 13) by appealing for balance, pointing out that the church would own both SHF and DSF brands, and that they would appreciate the support of Adventist's for both companies. The report sought to reassure members that "Sanitarium...will always maintain its stance on healthful eating choices and balanced diet". SHF argued that the occasional biscuit treat is appropriate and that providing patties to McDonalds ultimately had potential to encourage people to make better food choices. The report concluded with a plea for members to be "...encouraging not critical, embracing not exclusive." This plea highlights one of the key differences between Ellen White and Kellogg's vision for Adventist food factories.

The Adventist prophethess declared the emphasis on health to be “the right arm” – the strong and preferred – arm of the Adventist message. More than this, in Adventist thought, religious duty and the emphasis on health were connected and inseparable. However during the period of this study there was evidence that the connection between religious duty and health was under siege.¹³ Hospitals run by Adventists in the SPD were being closed, with three being closed in the late 1990s. Key Adventist health publications were stopped. The temperance magazine *Alert* closed in 1988 after over 30 years of publication and *Good Health* was terminated in 1993 after 95 years of promoting the Adventist lifestyle. SPD Health Director, Harrold, (*Record* - 24/2/1996, p 3) took the unusual step to explain to *Record* readers that reduced health budgets were reducing the impact of Adventism’s health message, even amongst Adventists. Moreover the *Record* noted among Adventists a trend away from vegetarianism and towards some social drinking. The demise of key Adventist health icons could be interpreted as a severing of “the right arm”.¹⁴

The closure of Adventist health institutions left the SHF and Adventist Hospital in Sydney as the only significant Adventist health institutions in Australasia. As the Adventist Hospital is confined to one geographic location, the focus of Adventist health consciousness was transferred to the SHF. At the same time SHF’s role also was being challenged, with some questioning Adventism’s ability to finance its institutional commitment to health. Don McMahon, a lay doctor, concerned with the demise of *Good Health* wrote to *Record* asking why the

Sanitarium Health Food Company and *Good Health* [shouldn’t] team together to ... save the church’s most universally acceptable publication with our distinctive health message. (28/8/1993, p 3)

The mission and effectiveness of Adventism's large medical and educational investments were being widely debated within the church.¹⁵ The Adventist media remained silent as to the value of SHF as an Adventist institution, in part because the financial information was fragmentary and also because Australasian Adventism was emotionally and culturally attached to the SHF.

However, there was unease amongst Adventist leadership regarding SHF's relationship with the SDA church. One informant in the present study indicated that he was directed to bring SHF back into the "fold of the church". The President of the SPD challenged SHF management to refocus their sense of mission, ethos and witness (*Record* – 13/6/1998, p 11; 20/11/1999, pp 6-7; 11/12/2004, p 3). Another informant recalled marketing focus groups that could distinguish between an imaginary Mr Sanitarium and Mr Kellogg. If this were still the case it would be difficult to imagine why SHF would need to institute an award to honour employees who capture the Sanitarium Spirit. Rather, it would indicate that it is in somewhat short supply as compared to its previous availability (*Record* – 8/3/2003, pp 1, 6). Despite these concerns and the fact that SHF news was filtered to focus on positive rather than negative news,¹⁶ a large proportion of the Adventist community continued to accept that SHF's heart still reflects an Adventist purpose and identity.

5.4 SHF's role in Adventist Evangelism

According to Ellen White, the primary goal of Adventist food industries was evangelistic and an essential aspect of SHF's non-financial accountability.

Vegetarianism is a preferred means of introducing Adventism to non-Adventists with Adventists referring to the health message as being the "entering wedge." Reports in

the *Record* confirm that diet and nutritional seminars remain a favourite means of launching Adventist evangelistic outreach. Theologically charged terms such as last days diet, meatless dishes, flesh eating, and flesh food, are no longer in vogue but the intent remains.¹⁷ Adventists continue to employ vegetarian cooking and nutrition seminars as forms of soft evangelism, allowing Adventists to differentiate from other American sects while presenting a positive and respectable image. Indeed attendees at the beginning of an Adventist sponsored cooking and nutrition seminar often are not aware of any Adventist connection. One informant explained that “Adventists typically do not inform participants in evangelistic programs until six weeks in” and a similar approach is taken with nutrition seminars. Regardless of such detail, the religious intent is clear; titles in *Record* such as “The Staff of Life” and “Health Lectures Pave Way for Daniel Seminar” confirm that the underlying purpose of health-related seminars is to prepare participants for more traditional evangelistic efforts.¹⁸

SHF is both explicitly and implicitly involved in all of this activity. Whenever vegetarianism is mentioned, Adventists in the SPD focus on SHF. In Adventist media the connection between SHF and Adventism’s vegetarian outreach is so strong that *indirectly* SHF accountability is being fulfilled even when SHF is not named specifically. Reports of SHF involvement in Adventist church cooking and nutrition seminars appeared regularly in *Record* particularly prior to the SHF’s retail shops being closed in 1988. The following quote from one participant at a seminar shows an authentic Adventist voice about how the church and the SHF company are perceived:

It was a proud day that united us as a company [local church and SHF], standing right where we ought to stand, and flexing the muscles of that strong

“right arm” - the right arm that will open doors and open hearts to the reception of a fuller message of salvation. (*Record* – 16/7/1973, p 5)

While there is less evidence in the public domain of direct SHF involvement in such soft evangelism, indirectly resources for such programs flow from SHF’s Nutrition Education Service (NES).¹⁹ Seminar participants receive SHF flyers, cook books and food, with many cooking demonstrators trained under the auspices of NES. Direct funding of soft evangelism by SHF also occurs, with one informant in the present study stating that they knew of one Adventist Conference where the Health Director was being half funded by SHF, with this director having a strong interest in nutrition seminar training. *Record* (2/2/2008, p 4) recently reported that SHF, via NES, is funding a government recognised “nutrition presenter’s certificate” with a *spiritual dimension*, to help church members to continue this form of outreach.

Clearly SHF accountability contributes indirectly to Adventist soft evangelism. What is of interest in this study is how SHF chooses to deal with the expectation that as an Adventist institution it should have a direct evangelistic witness. Traditionally that direct witness was considered to be met by the company’s SHF retail shops. A 1984-85 report by SHF retail indicated that many were influenced into church membership by SHF retail and that,

our church can feel deeply satisfied that God has used His shops as an avenue to promote the health philosophy of Seventh-day Adventists. (*Record* – 30/3/1985, p 11)

The 1988 closure of SHF retail was interpreted by members as evidence that SHF’s main tool of public evangelism had been lost. Despite reports in *Record* outlining considerable commercial losses²⁰ church members continued to believe that SHF Retail was an indispensable witness to Adventist beliefs (*Record* – 16/7/1988, p 3;

20/8/1988, p 3). A major argument advanced in *Record* (11/6/1988, pp 10-12) for the retail closure was that the stores were no longer considered an effective means of evangelistic witness. However an informant, who supports the sale of SHF, views the retail closure as the most significant move away from any claim that SHF had regarding non-financial accountability and an affirmation of financial accountability. He argued that SHF retail had been one of Adventism's front line means of witnessing by drawing attention to Adventism's belief in the sacredness of Saturday as Sabbath. It also demonstrated to the general community that commerce was not all encompassing.

SHF's Nutrition Education Service (NES) was established in 1987 just prior to the retail closure and promoted as SHF's new public window (*Record*- 18/6/1988, p 4). The NES was established to provide SHF with enhanced credibility in areas of diet and nutrition using professionally qualified staff, and by providing support for Adventism's traditional vegetarian outreach. Through NES, SHF is now represented on a range of government, industry and professional bodies concerned with nutrition, including Membership of the National Food Standards Committee and Corporate member of the Australian Nutrition Foundation. Conference participation, sponsorship and submissions to government have been undertaken by NES, as well as independent research (*Record* – 15/4/1995, p 10; 15/6/2002, p 13; *Adventist Professional* – 1997, Vol 9(2), pp 14-15, 26; SHF Business Review, 2000). In addition NES produces nutritional resources to communicate SHF's health philosophy with the mass media and to educate the general community.

Reports in the Adventist press viewed NES as a form of evangelism:

The department [NES] probably follows and promotes the philosophy of the company [SHF] and the church more than any other department within Sanitarium. The NES plays a major role within the company, and with the combined talents of the staff is making a tremendous impact on the community. (*Record* –15/4/1995, p 10)

The view was endorsed in the *Adventist Professional* in an article entitled ‘Marketing Adventism through Nutrition...Sanitarium – the Right Arm of the Advent Message’:

The aim of the service [NES]... remains essentially evangelical. Sanitarium has a commitment to helping improve the health of people in the community. (*Adventist Professional* – 1997, Vol 9(2), pp 14-15, 26)

While NES claims to be motivated by evangelistic principles that align with Ellen White’s vision, there is little evidence for such a claim, even in the Adventist media. The links between NES and Adventism are conspicuously absent from mainstream media. Sue Radd, an NES nutritionist, made a telling comment in a *Record* report. Commenting on a paper she presented at a food conference, she stated,

I would speculate that the majority of Australians have *unwittingly* (*emphasis given*) benefited from the health advances made possible by Seventh-day Adventists. (*Record*, 30/10/1999, p 10)

The notion that most Australians have unwittingly benefited from Adventist beliefs by consuming cereal, particularly Weet-Bix,²¹ raises the issue of why the connection is not more publicly known after one hundred years of operation, and what NES as the public window of SHF has done to promote the connection. Particularly concerning for Adventists is the fact that if Australians are unaware of the connection between SHF and Adventism at a perfunctory level, how could any deeper evangelistic connection be made? This is clearly a major issue for SHF’s non-financial accountability. A report in *Record* suggested a positive correlation exists between SHF and the Adventist church, yet it lacked any evidence and contradicts

other evidence (*Record* – 26/7/2003, p 11). The lack of public links between SHF and Adventism may surprise readers of *Record* but would not surprise any observer of the mass media, for there are few connections made between SHF and the Adventist church, apart from those that relate to financial accountability.

NES has been responsible for gaining SHF wide mass media coverage on dietary and nutritional issues at both a national and local levels. It represents the most likely reason for SHF to be mentioned in the mass media, particularly since 1995 and can be considered a significant achievement by NES, as prior to this SHF was not connected with Adventist health values in the mass media. The NES has become the key instrument promoting Adventist lifestyle and SHF products, including benefits of a plant based diet in reducing cancer and heart disease; dietary value of nuts, soy and legumes; avoidance of salt, caffeine and alcohol; SHF sponsored external research on vegetarianism; ideas to help vegetarians enjoy meat oriented activities such as BBQs and Christmas day; promoting cereal that is wholegrain, high fibre and low sugar; cook books and recipe suggestions in the SHF style; healthy eating suggestions for children.²² An SHF marketing exercise, this media exposure also positively displays Adventism's dietary lifestyle. However, from the perspective of SHF being an evangelistic witness, it does this without ever connecting dietary issues to spirituality, far less to Adventism. There appear to be few available means to convert such public exposure of the Adventist lifestyle into an interest in religion, the primary reason Ellen White supported Adventist food industries (*Record* – 17/7/1991, p 11). Nor has the Adventist media reported an Adventist conversion story from such activity. Furthermore, as a number of informants indicated, NES educational efforts are largely focused on groups in society that already support its views, while those

most in need, the working class and poor, are largely ignored. The SHF health values are promoted to the converted! It would be a disingenuous interpretation of Ellen White's instruction to see NES's activities as evangelism.

Two other points also need to be briefly made in this section. Whenever SHF's community involvement is mentioned in the mass media, whether to promote gala golf days, beach breakfasts, street parades, TRY-athalons, or charitable activities, the overwhelming tendency in such media reports is not to associate SHF with the Adventist Church. The NES approach to presenting SHF to the general public is not an isolated occurrence but reflects a key SHF strategy. SHF Adventist historian Litster, was quoted on SHF retail and cafes,

But never...has the church tried to turn healthy eaters into consumers of religion. "I remember going in as a young fellow and there was nothing like that at all..."The only thing that would happen at the cafes was that one of the waitresses would ask for God's blessing on the food. (*The Sunday Star-Times* [Auckland], 26/4/1998, p 6)

The accuracy or otherwise of this quoted comment is not the issue. What is clear is that Adventists have tried to use their interest in dietary matters to recruit members and this is freely discussed and embraced in the Adventist media. At the same time in the mainstream media there is a silence on this bottom line of SHF non-financial accountability and stewardship. The critical issue for the Church is if public awareness of SHF with Adventism is a good thing, why isn't the SHF doing more promoting of this link? If for the SHF this is not a desirable role, how does it justify itself as an Adventist institution?

5.5 SHF's social contribution to Adventist Communitarianism.

Barham's (1976) contrarian account of Adventism's relative success in Australasia compared to Great Britain, highlights the SHF as a key variable. Despite this observation, few apologetic accounts of SHF consciously recognise the organization's role within Australasian Adventism. In part this is due to the fact that SHF's communitarian contribution has both social and economic strands. While both contributions are often acknowledged together, the financial detail is quantified informally and inconsistently. Butler's (SPD treasurer), comments in *Sanco News* are typical (1971, Vol 2(5), p 5). 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.

In a similar vein Norm Young, a respected Avondale 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 and it would appear more significant than consciously reported in Adventist media. 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. Such cooperative social arrangements represent an Adventist form of

communitarianism,²³ despite not generally being consciously reflected on as such within the Adventist community. Certainly a key bottom line for SHF's non-financial accountability and stewardship relates to socially supporting Adventist communitarianism.

Primary source documents and informants both indicate a significant social contribution by SHF to the Adventist community. Arguably there are more reports on this aspect of SHF's non-financial accountability and stewardship in Adventist media than on any other issue. One informant described SHF as the "glue" of Adventism, acting as a major sociological binder by providing employment for Adventists on a permanent and casual basis from nearby Adventist ghettos and educational institutions. Often SHF employed Adventists were prepared to accept lower wages to ensure more SHF profit for Adventist mission. Adventist educational institutions benefited from these Adventist ghettos, having a pool of prospective Adventist students who were able to gain part-time employment at SHF to pay their fees. A number of informants explained that they had been the beneficiaries of these arrangements, having personally worked on the "make" as students.²⁴ SHF student employment has become part of Adventist folklore and a rite of passage for Adventist administrators, teachers and ministers and such stories were shared widely within the Adventist constituency. Many SHF employees have built their whole social life around the company. One informant notes that up until the 1970s, working at the SHF was

just like going to church six days a week, (laughing) in a factory, and then on the seventh day you go into an Adventist church.

Several informants mention how SHF provides a social safety net for Adventists by providing work for those who are having difficulty finding work or who for various reasons could no longer be employed in other areas of the church.

SHF is considered a "...a practising partner in the Adventist movement"²⁵ (*Record* - 18/12/1982, p 16) and an integral part of the Adventist "work."²⁶ It is described as the "greatest co-operative organisation this world knows" (*Record* - 26/4/1986, *Liftout*). An informant notes the benefits that the Adventist church received from SHF's role in training church administrators and academics, with personnel being moved between Adventist institutions. One aspect of SHF's communitarian stewardship not consciously recognised within Adventism is that it receives only incidental coverage in Adventist media, particularly *Record*. However it is the incidental nature of the reports in *Record* and *Sanco News* that demonstrate the extent of its social power. The entire range of earthly sacraments, relating to birth, marriage, anniversaries and death will, if relevant, connect an individual, family or church event with SHF. The following obituary in *Record* of Kevin Jackson's grandmother, the current SHF's CEO, illustrates the 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).

In a similar spirit *Record* (24/11/1980, p 13) relates the 50th wedding anniversary of Jean and Wally Kilroy. The account notes how the Adventist church, education

system and SHF played a crucial role in this couple's life cycle, via courtship, marriage, employment and family. Both had been employed at SHF prior to marriage and had spent time in Adventist training colleges at Longburn (NZ) and Avondale (NSW). Marriage became possible in 1930 due to the SHF offering full-time employment at Cooranbong. Jean and Wally's musical talents continued their association with Avondale's choral and music department. Their only son Malcolm, an accounting graduate from Avondale, was also an SHF employee. This story is a good illustration of Bull and Lockhart's (1989, 2007) cradle to grave imagery of Adventist institutionalism and demonstrates its relevance to Australasian Adventism. A significant difference is that, in America, this institutionalism is associated with hospitals and universities, whereas in Australasia connection is to SHF, along with educational institutions.

Adventist media particularly *Record*, provide ongoing links between SHF, Adventist families and the church's educational system. As a church, Adventism encourages endogamy,²⁷ and traces significant church and family events through its institutions in a seamless fashion with the religious, social and economic life of the community being celebrated simultaneously. The links with Adventist run organizations and Adventist focused work histories operate as sign-markers confirming Adventist identity and a sense of belonging.²⁸

SHF financial accountability plays a critical part in allowing Adventist communitarianism to develop and prosper, however, this should not be divorced from SHF's non-financial accountability and stewardship in supporting Adventist cohesion. All companies look for support and loyalty from shareholders. This

support is typically based on issues of agency associated with reward programs and dividend payouts. Adventist indebtedness towards SHF is independent of such issues (*Record*, 20/6/1998, pp 2, 12). There may be evidence of a change in the Adventist community's attitude toward SHF (*Record*, 24/7/1999, pp 6-7; 26/7/2003, p 11), but the majority of Adventists would agree with R. 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). Among Adventists there persists a deep sense of loyalty towards SHF that is built around kinship, community and common religious belief. This loyalty that SHF elicits from Adventists maybe described as *reciprocal stewardship*.

5.6 Reciprocal Stewardship

Reciprocal stewardship features prominently, particularly in small inclusive organizations bound by a strong commitment to beliefs, and attachment to its own institutions. For example, it is almost expected by SHF management that they will be publicly supported by Adventists at both an individual and institutional level. This was demonstrated when *Record* (6/4/1996) ran a front page article entitled "Free Breakfasts for Disadvantaged" with an accompanying picture of three students from Lilydale Adventist Academy. Clearly visible in the corner of the picture were packets of Kellogg breakfast cereal. Two letters were subsequently published in *Record* concerned about a lack of loyalty, one stating,

I could hardly believe this could happen, or that the *Record* editors would publish such a picture. What about some old-fashioned loyalty for a company that has served the church well for many years? As I look at the supermarket shelves I detect Sanitarium is struggling against Kellogg's and Uncle Tobys. Sanitarium could do with the support of all church members. (*Record* - 18/5/1996, p 3)

A second letter expressed concern that Kellogg products are unhealthy and that SHF soy beverage should have been offered as an alternative to milk. The same letter concludes,

it is our duty to use and promote Sanitarium products at every opportunity, as healthy options to the junk food sold in the cereal lines. We should also remember that Sanitarium is God's gift to His work in this part of the world and, as such, should demand our loyalty. (*Record* -18/5/1996, p 3)

While two subsequent letters urged church members not to be critical of the student's efforts, they confirm the strong feelings and attachment to anything Adventist.

Reciprocal stewardship is further illustrated when SHF's CEO K Jackson wrote an open letter as an insert in *Record* asking Adventist members as SHF owners, for help to launch a new SHF product Waterplus. Jackson suggested,

If you can't see Waterplus on a shelf ask the service staff if they would stock it. I suggest you do this in a casual and informal manner and only if you feel comfortable... (27/7/2002)

The researcher also observed reciprocal stewardship being asked for at an SHF presentation at an Adventist Camp Meeting,²⁹ SHF events typically draw larger audiences than other camp activities, in part because of SHF show bags and a deep sense of loyalty to the organization. In the presentation Adventist members were asked to approach the managers of supermarkets to request that SHF products be given shelf space, to tidy up and rearrange SHF products on supermarket shelves, and to ensure that Kellogg and Uncle Toby's did not encroach on SHF shelf space. Few companies would be in a position to ask their shareholders to demonstrate such reciprocal stewardship; on the other hand few companies have shareholders so embedded into their company's religious beliefs and social values.

Reciprocal stewardship was also extended to the SHF when in the mid 1990s as part of an ongoing restructure, Adventist jobs were lost due to SHF factory closures, particularly at Longburn, an Adventist college in New Zealand. While editorial support would have been expected in *Record*, support was also evident in letters to *Record*, which an informant indicated were not censored but used as a potential means for members to express their dissatisfaction. No correspondence reflected a sense of division or criticism, which in part may be due to SHF's CEO Smith's openness and frankness. There was genuine affection for SHF in the *Record* reflecting a desire for SHF to be financially healthy so it could continue to provide all forms of accountability and stewardship to the Adventist church (*Record* – 15/6/1996, p 3; 17/8/1996, p 3; 24/8/1996, p 3; 5/10/1996, p 13; 12/10/1996, p 13).

Reciprocal stewardship also can help explain why *Record* avoids criticism for printing secular and commercial material concerning SHF, while receiving criticism from constituents for publishing similar advertisements concerning Adventist businesses and services. Reading *Record* on the Adventist Sabbath accords with Adventism's strict Sabbatarianism³⁰ (*Record* – 18/4/1987, p 3; 10/2/1990, pp 4-6; 18/7/1998, p 3). *Record* has published only two letters over the period of this study that criticised SHF advertising in *Record* and this related to how the advertisements represented Adventist beliefs and not SHF's commercialism. An informant also indicated that *Record* had received unpublished letters from some constituents concerned about SHF's marketing arrangements with Coles and Woolworths, however the concerns were directed at its anti-competitive rather than secular nature. The regular marketing of SHF products, particularly vegetarian products in Adventist media, while clearly having a commercial intent, also reinforce Adventist beliefs and

all forms of SHF accountability and stewardship but particularly the non-financial accountability associated with Adventism's religious duty in matters pertaining to Adventists' health. By appealing to a reciprocal stewardship SHF advertising appears to avoid the odium attached to other forms of commercial advertising and can be read on Sabbath.³¹

While Adventist media continues to present a positive view of SHF's non-financial accountability in regard to SHF's employment of Adventists, informants in the present study were more cautious and evenly divided about its ongoing relevance. While it is difficult to determine the number of SHF workers who are practising or nominal Adventists,³² the anecdotal evidence would suggest according to one informant that blue-collar Adventist employment now comprises only a "remnant."³³ While executive management remains largely Adventist, Adventism no longer reaches so deeply into SHF's fabric, thereby preventing the same commitment to SHF's non-financial accountability as previously demonstrated. Many informants from personal observation noted that the virtual collapse of SHF factory worship programs is evidence of the changing Adventist demographics in the SHF labour force. One informant who has taken SHF worship services regularly noted that the "SHF workforce know little of why they are working" and that "cynicism is strong, particularly amongst Adventists." Further evidence of a decline in SHFs Adventist workforce comes from a series of articles in the mass media late in 2002, when it was claimed that SHF had an ideological bias against unions based on Ellen White's writings.³⁴ A sacked union delegate at the centre of one dispute stated,

Sanitarium (seems) to have trouble understanding that most of its workers now came from outside the Adventist church. (*Newcastle Herald*, 23/11/2002, p 4)

The above dispute spread to other factories and at SHF's Berkley Vale factory workers voted down a company agreement, an option that would have once been unthinkable when SHF had a passive and self-sacrificing Adventist workforce who saw SHF employment as a calling³⁵ (*Factory Equipment News*, November, 2002; *Newcastle Herald*, 23/11/2002, p 4; *The Australian*, 25/11/2002, p 4; *The Daily Telegraph*, 26/11/2002, p 5; *Newcastle Herald*, 30/11/2002, p 10; *The Daily Telegraph*, 30/11/2002, p 38).

Regardless of the level of esteem the SHF still has among the Adventist members, the fact is that the organization's image and focus have undergone significant changes in recent years. SHF continues to promote Adventist health and lifestyle values without explicitly seeking to indentify Adventism with its marketing brand. It contributes much needed financial resources to support Adventist institutions and activities, but could no longer be said to feature as one of the core activities of Adventist identity. Particularly in the past SHF was a major employer of Adventists but the organization has undergone a demographic shift and now non-Adventists overwhelmingly outnumber Adventists at the shop floor. To some Adventists these changes have been interpreted as suggesting that Adventism was losing its social glue: a weakening of Adventist institutions generally, a waning in the belief of the theological esoteric notion of "occupying until I come".³⁶ While several informants reflected that rationally a sale should be considered, they noted that it would be difficult for "...any Division executive committee (to) survive selling SHF, unless the membership perceived a deterioration over a period of time." This sentiment was reinforced by the observations from two informants. One commented that if SHF was sold it would further fragment an already fragmented church. A second explained

that SHF's commercial decisions should not ignore Adventism's connection with institutions, as from this informant's perspective Adventism was surviving only where there were Adventist institutions.³⁷ Still others consider that while aspects of these observations are problematic, the indisputable fact is that they provide further evidence of the strength of SHF's communitarian stewardship. What is also evident is that the ability to maintain such stewardship into the next Adventist generation is now problematic.

5.7 SHF Multiple Bottom Lines

A positive image of SHF's non-financial accountability and stewardship has been successfully embedded into Adventism's consciousness. This image relies on SHF's financial accountability, but it is idiosyncratic and requires an ability to read between the lines. The mass media's perception of SHF as being secretive is in part due to their ignorance of how SHF's public relations work, for they only see the minimal information relating to SHF financial affairs and how the profit is used. The complex and more subtle non-financial aspects of SHF accountability that are associated with Adventism's beliefs and practices are mostly ignored. At the same time, most informants also accepted that the Adventist media does not paint a complete or true picture of SHF accountability. Many informants when queried as to what made SHF specifically Adventist, pointed to legal connections, often noting that cultural links between SHF and Adventism were more contestable than shown in the Adventist media. Reasons for this contestability varied. Informants note a migration towards the practices of other companies, a reduced Adventist workforce, the fact that SHF no longer is an effective Adventist witness, and not the only source of Adventism's vegetarian food. While all informants recognised that SHF's non-financial

accountability to some extent had unravelled, with one notable exception they considered that SHF should remain an Adventist institution, in part because of the concerns that there would be further institutional declines in Australasian Adventism (*Record* – 8/10/1979, p 7; 8/9/1980, p 5; 26/11/1983, pp 10-11; 15/12/1984, p 10; 18/1/1997, pp 10-11).

Record's report on the 1991 closing of the Adventist Scandinavian Health Food Industries is instructive. The report noted that the closure was due to a lack of capital, loss of marketing expertise, and key management personnel, and the church no longer being prepared financially to support a loss-making food industry.³⁸

Our church in these Nordic countries ...[needs] to get on with the task of being a spiritual witness ...By consolidating and redirecting its resources, the church (will concentrate)...on what the Lord has called the church to be, namely, an instrument of His Global Mission. (*Record*, 8/2/1992, p 12)

When questioned about SHF's mission, an informant began by relating the circumstances faced by the Adventist church in Scandinavia (having recently visited the area). The Adventist community in Scandinavian countries was struggling in terms of membership and financially and recently was forced to sack ministers. The redirecting of Adventist resources from the Scandinavian food factory has not prevented this region from becoming in Bull and Lockhart's (2007, p 160) words, part of a "dying Adventism." If Barham's (1976) observation of how critical viable institutions are to Adventism's success is correct, then the closure of the Scandinavian food factory may have accelerated Adventism's decline. The same informant considered that without SHF, in Australia and New Zealand the church would be confronting a very similar position as the Scandinavians.

While people in Australia complain about the lack of resources, in the context of World Adventism the church in Australia is relatively well resourced.

There are enough resources to allow the church to engage in some creative ministry and activity. This is a luxury that is denied the vast majority within Adventism. The funds from the SHF help to make what would otherwise be inadequate funding from tithes and offerings.

Informants in this study are also aware that Adventism is experiencing almost negligible growth in Australia and New Zealand (*Record*, 2/2/2008, p13). Bull and Lockhart (2007, pp 144-171) note that Adventism tends to be receding in first world countries, and what growth is evident is due primarily to Adventists migrating from the third world.³⁹ Two informants commented that the Adventist church would not be in a position to build another SHF, particularly given the aging Adventist demographic. While selling SHF would result in considerable capital to invest, an informant suggested that if the Adventist church had sold the SHF in the 1960s there would be no capital left now. The implication being that a current sale would result in a similar outcome. SHF's connection with the Adventist church is therefore preserved because of a unique blend of SHF's financial and non-financial accountability goals, which up to this point make any decision for selling extremely difficult.

The slow growth of Adventism in Australasia does not appear as an issue impacting on SHF. The decline in SHF's employment of blue-collar Adventists certainly is acknowledged. However as Adventism's demographic profile changes even further, this will affect SHF's ability to have Adventists in top management positions, and this in turn will impact on the company's ability to fulfil its goals of non-financial accountability. Similar issues are currently impacting on the church's ability to find church leaders and to attract "Australian citizens" as male ministers.⁴⁰ Furthermore slow growth in Australasian Adventism will result in pressure to increase SHF's

financial dividend to off-set the decline in real terms SDA members' tithes and offerings, putting at risk SHF's future capital investment. Despite SHF's increasing professionalism and independence, its non-financial accountability can only be met if Adventism's root stock remains healthy. If the membership continues to shrink and cannot provide SHF with both human and financial resources, then arguably even SHF's financial accountability obligations to the Adventist church will be at risk. The inability of Adventism to convert middle-class individuals in the first world may represent one of SHF's greatest threats against remaining even nominally Adventist. For while the non-financial accountability and resultant reciprocal stewardship has nurtured a realistic relationship in the past between SHF and Adventist Church, such a relationship would appear to have a problematic future. Cultural attachment to SHF noted in both the Adventist media and interviews may prevent a realistic assessment of SHF's ability to continue achieving its non-financial goals.

There is some irony that while SHF owns Australia's favourite trademark Weet-Bix (*ABC Online News*, 2006; *Record* – 22/7/2006, p 5; 14/10/2006, pp 1,3) with marketing slogans such as, "I hope he's had his Weet-Bix" entering the Australasian vernacular, that there is little public recognition of SHF's relationship with Adventism. The distance between SHF and Adventism is now so great that since 1996, SHF has made tentative statements in the mass media indicating SHF wants to be more communicative and open in regard to its Christian heritage and acknowledging that it "could no longer afford not to talk" about its ideals and philosophical base (*Business Review Weekly*, 29/1/1996, p 82; *The Dominion* (Wellington), 19/3/1997, p 30; *Australian Financial Review*, 14/2/1998, p 32; *The*

Australian, 6/6/2001, M11). Jackson, SHF's CEO, admits that SHF has had a history of being wary of acknowledging its links to Adventism. He states,

(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, pp 27-28)

However there is little evidence of any action being taken to make such communication in any commercial media. Jackson's statements support what has been noted in this thesis namely that connections between SHF and Adventism are rarely acknowledged publicly. A more certain issue is that Adventist members, whose attention is constantly drawn to positive connections between SHF and the Adventist church, would generally find it difficult to acknowledge. It could lead some Adventists to conclude that the lack of connection between the two in the mass media is either an oversight or even an unwillingness to report them. The uncomfortable reality for Adventists is that SHF is not publicly open about its accountability and stewardship obligations to the Adventist church. While many Adventists may endorse SHF's secrecy on matters of financial accountability, the lack of detail on SHF's non-financial accountability which is promoted as SHF's original and main purpose maybe more difficult to explain. SHF sensitivity to being publicly connected with Adventism maybe an extreme example of Adventism's public shyness, but this creates a contradiction. For while SHF is well known and the Adventist church is not, it appears SHF chooses to remain silent about Adventism while providing the resources to allow Adventism to speak.

An aspect of the SHF rarely mentioned within Adventist media but increasingly noted in the mass media, is the organization's corporate activism and leadership

within the food industry. These activities attract little attention from those who monitor social and environmental reporting, due to SHF not producing regular formal reports.⁴¹ These activities are not systematically documented, although it can be demonstrated by bringing together a series of unlinked media reports. Particularly in the last decade or so, the SHF has been seeking to raise awareness of the amount of sugar in cereal (despite trenchant criticism from the sugar industry), campaigning for the introduction of appropriate and easy to read nutritional food labelling, commissioning independent research to determine what consumers want on food labels, and advocating mandatory disclosure on all food, for sugar, fat and fibre content and implementing such disclosure themselves. In addition, SHF has broken ranks with food industry producers and the Australian Food and Grocery Council to support the appropriate labelling of Genetically Modified (GM) food and has funded its own reliable GM audit system. The company also has sought to be recognised as the first major company to include indigenous and ethnic groups in their advertising.

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These activities have benefited SHF by showcasing its health values and by implication differentiating its products from competition. Certainly these initiatives have provoked reputational warfare with SHF's competitors. They did demonstrate that SHF is prepared to take business risks and face opposition from industry bodies to maintain and support its philosophical position. Despite gaining little public recognition for these activities the company promoted the public interest and not just triple bottom line public relations exercises. While observers of triple bottom line reports may be impressed with such integrity, SHF reporting on all aspects of its accountability remains enigmatic.

5.8 Reading between the lines on SHF Non-Financial Stewardship.

While *Record* might be an authentic Adventist voice designed to inform, like all Adventist media, it needs to be considered in the context of the boundaries within which it operates. For as one informant indicated there is,

Much reporting in Adventism but it does not necessarily say much or inform.

Or as another stated,

The Adventist church like most other churches is able to paint a good picture of itself but is completely unable to paint a true picture.

Informants noted that the SHF operates in a censored environment because it relies on SHF management to provide material and this at best is only an outline.

Information regarding SHF does enter Adventist media via the executive minutes of the SPD which in the case of those sighted by the researcher, also only provide a summary of SHF affairs. A good deal of reading between the lines⁴³ is required by anyone interested in SHF, whether as an Adventist, mainstream journalist or indeed a trusted Adventist historian⁴⁴ to arrive at a more complete picture of the company. What information can be gleaned, lacks self-conscious analysis and is silent on critical aspects of SHF's non-financial bottom lines.

Adventist media reports on SHF's contribution to non-financial accountability typically are hagiographic, stressing trust, credibility and respectability (*Record* – 28/6/1997, p 1; 13/3/1999, p 10; 19/5/2001, p5; 24/11/2001, p 4). Despite non-financial accountability and stewardship in the Adventist media promoting SHF's bona fides as an Adventist entity, such accountability would only be recognised in the mass media by initiated Adventists. This is a significant point, for it is SHF's non-

financial accountability relationship with the Adventist church that provides its charitable motivation and claims to non-profit status. The unwillingness to share this understanding beyond an Adventist audience ultimately brings into question SHF's public credibility as a charity when it claims that SHF funds are used to support the charitable activities of the SDA church. This public silence on the relationship between SHF and the Adventist church would appear to be due to SHF's reticence to be connected with Adventism's sectarian evangelical vision, as demonstrated in the non-sectarian manner in which NES offers dietary and nutritional advice in the mass media. One informant noted that the SHF managers he knew were avid mass media watchers, but rarely mentioned Adventism in their press statements, suffering from what he described as "Adventist cringe". A range of informants recognised that SHF is rarely associated with Adventism in a positive way, despite the fact that there are some good stories to tell. As one informant said, "TRY – athalon!"⁴⁵ Who knows that's Adventist? No-one."

Despite the Adventist media's stress on trust, credibility and respectability, there is a lack of analysis of SHF's effectiveness in contributing towards Adventism's soft evangelism. One informant remarked mockingly, "...they (SHF) are unable to even convert their own workforce". This lack of analysis also occurs in regard to the inability of SHF to attract Adventists to their workforce.

A critical analysis of SHF's non-financial accountability and stewardship towards the Adventist community would ideally be a relevant consideration in any future SHF decision making, particularly in view of the emphasis and interest that such non-financial accountability receives within the Adventist media. As part of that critical

analysis it would be anticipated that links would be drawn between non-financial and financial accountabilities. However the boundaries that operate around the Adventist media would appear to prevent the possibility of such critical analysis from occurring. For as Pearson (1990) has indicated the Adventist media does not report on organizational issues unless there is a major problem and the evidence would suggest that any such reporting is always after the event (*Adventist Professional* – 1993, Vol 5(3), p 14). These self-imposed constraints when combined with SHF being “God’s gift to his people” whose goal is to help “suffering humanity,” allows SHF to operate in an Adventist environment that provokes minimal criticism and demands little transparency.

SHF, like Adventism, is keen to maintain a sense of respectability, choosing in its non-financial accountability to seek general community acceptance and to be accepted as an actor among other actors (Theobald, 1974). Arguably if Adventism’s only orientation was that of community as identified by Borhek (1953, 1965) and Theobald (1974, 1979), SHF could use its Adventist connections to promote both its non-financial and financial accountability in a manner similar to the Salvation Army. For the community orientation of Adventism draws upon a version of Adventism championed by Kellogg’s non-sectarian engagement with the world, to provide disinterested charity as Good Samaritans to the world (Bull and Lockhart, 1989, 2007, Schwarz 1990b). However Adventism is a more complex religious community and the non-financial accountability of SHF needs to be understood from the perspective of more than just one orientation and the impact that such orientations have on the humanitarian and charitable understanding of SHF accountability and stewardship.

5.9 Conclusion

The picture that emerges from the examination of SHF's non-financial accountability is of an organization not very different from other non-church affiliated organizations. The SHF is Adventist only to the extent that it was established by the Adventist minority, has an Adventist past, and that Adventists have a monopoly of positions in senior management. What links that are evident with the Adventist church, are isolated and incidental. Its contribution to advancing the Adventist cause is muted and at best indirect, and one can no longer applaud the organization for providing employment to Adventists. If ever the SHF was an Adventist instrument of evangelism and fulfilling Ellen White's vision of church-run food companies, this certainly is no longer the case. The one saving grace of SHF is that it continues to make a strong financial contribution to the Church.

There is ambiguity within Adventism between compelling the SHF to promote the sectarian vision and stripping it of its church links and allowing the company to pursue commercial imperatives. Whether it is even desirable to promote SHF as an Adventist affiliated organization remains an open question. The critical issue is not whether and to what extent SHF bears any hallmarks of Adventism, but the fact that the membership as a whole perceives SHF to be an instrument of the Church and playing a role in promoting Adventism to the community. Certainly SHF management has not deliberately sought to contest their assumptions.

¹ 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; *The Australian* 7/2/2001, p 23; *The Australian*, 2/9/2002, pp 27-28.

² The Adventist Media primarily refers to Adventist media produced in the SPD but not exclusively.

³ Refer to *Record* - 7/9/1970, p 45; 22/9/1975, p 38; 30/3/1985, p 3; 18/5/1991, p 4; 15/6/1991, p 3; 1/2/1992, pp 10-11; 29/11/2003, p 47.

⁴ Adventist prophetic interpretation is based on a historicist hermeneutic that gives the movement remnant status. Adventists therefore place a high premium on their history and God's leading. Newport, (2006, p 32) notes that an unusual feature of Adventism is that despite the passing of over 150 years, they continue to use a historicist approach to interpret their place within bible prophecy.

⁵ Weet-Bix and So-Good are two of SHF's dominant brands.

⁶ The Adventist view of clean meat closely follows Jewish practice and application of the Leviticus law. Thus only animals that ruminates and have cloven hoofs maybe eaten, fish must have scales and fins, birds must not have web feet or be birds of prey etc. In practical terms and as an illustration this would mean that pig, shark and duck meat would be considered unclean, while beef, sheep, goat, salmon, chicken and turkey would be considered clean.

⁷ A dispute between Unions and SHF in 2002/2003 reported in the mass media included references to Ellen White'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.

⁸ There is at least one documented occasion when extreme dietary practices led to the death of a young Adventist child (*Record* - 24/8/2002, p 13).

⁹ 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).

¹⁰ Publication of the Australian Consumer's Association.

¹¹ *Women's Weekly* - A leading Australian women's magazine.

¹² Refer to *Record* - 5/1/1970, p 5; 22/6/1970, p 11; 11/1/1971, p 12; 27/9/1971, p 6; 17/1/1972, p 13; 19/11/1973, p 12; 22/4/1974, pp 10-12; 9/7/1988, p 12; 30/7/1988, p 12; 10/9/1988, p 3; 14/8/1993, p 3; 23/10/1993, p 3; 17/5/1997, p 7; 3/3/2001, pp 8-9; 7/4/2001, p 13; 1/2/2003, p 13; *Other - Harrison*, 1981, p 36)

¹³ Section 4.5 introduced Ellen White's reference that equated the Adventist health work with the "right arm of the third angel's message". This message lies at the heart of Adventism's prophetic understanding of their remnant status and underscores the importance Adventists place on health.

¹⁴ Refer to:- *Record* - 16/4/1988, p 4; 2/7/1988, pp 4-5; 19/5/1990, pp 6-7; 7/3/1992, pp 4-5; 25/9/1993, pp 8-9; 22/4/1995, p 2; 2/12/1995, p 3; 24/2/1996, p 3; 30/9/2000, p 5; 4/11/2000, p 13; 24/3/2001, p 2; 27/7/2002, pp 1,6.

¹⁵ 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.

¹⁶ The filtered nature of SHF news in Adventist media was noted by a number of informants.

¹⁷ Refer - *Record* - 22/6/1970, p 11; 15/5/1972, p 7; 16/7/1973, p 5; 15/3/1976, pp 1, 14; 22/3/1976, p 7; 31/5/1976, pp 5, 18; 18/4/1977, pp 6, 8-9; 6/2/1978, p 5; 6/3/1978, p 5; 22/5/1978, pp 10-11; 10/7/1978, p 5; 15/10/1979, p 7; 5/5/1980, p 8; 22/12/1980, p 5; 22/12/1981, p 6; 12/11/1983, p 12; 9/5/1987, p 8; 18/2/1989, pp 10-11; 30/9/1989, p 9; 17/8/1996, p 10; 21/6/1997, p 5; 25/4/1998, p 5; 2/8/2003, p 3.

¹⁸ *Record* - 28/5/1973, pp 6-7; 27/8/1973, p 5; 12/6/1978, p 11; 4/4/1992, p 7; 17/8/1996, p 13; 18/4/1998, p 11; 25/4/1998, p 5.

¹⁹ The nomenclature of NES changed in 2007 to Sanitarium Nutrition Service. The thesis will continue to use NES, as that was the term used for most of the period under study.

²⁰ The retail closure will be considered further in Chapter 6.

²¹ Weet-Bix is Australia's leading breakfast cereal.

²² These references are a sample and illustrate the range of mass media and geographic reach. *The Daily Telegraph*, 14/8/1996, p 36; *The Daily Telegraph*, 22/10/1997, p 51; *The Australian*, 10/9/1998, p 2; *The Christchurch Press*, 29/7/1999, p 15; *Illawarra Mercury*, 11/1/2000, p 20; *Central Coast Express*, 21/6/2000; *The Herald-Sun*, 1/10/2001, p 109; *The Dominion*, 18/10/2001, p 2; *Bayside Leader*, 16/1/2002, p 22; *The Advertiser*, 13/5/2003, p 8.

²³ Bull and Lockhart (2007, pp 131-134) note that institutionally Adventism operates on the basis of collectivist principles.

²⁴ The "make" refers to SHF cereal production, particularly Weet-Bix.

²⁵ Advent movement, is here using an Adventist pioneering term the “Great Advent Movement” to humorously refer to the seemingly constant movement of Adventist employees.

²⁶ For Adventists the term “work” denotes church employment (*Record* – 11/7/1987, pp 6-7).

²⁷ Adventism encourages the practice of marriage between believers.

²⁸ This list of references is only representative but attempts to cover the time period of the thesis.

Refer *Record* – 5/10/1970, p 16; 12/10/1970, p 2; 8/2/1971, p 11; 3/5/1971, p 16; 12/2/1973, p 16; 27/5/1974, p 11; 9/12/1974, p 16; 21/4/1975, pp 12-13; 14/7/1975, p 9; 11/7/1977, p 16; 8/8/1977, p 16; 5/12/1977, p 16; 8/9/1980, p 5; 17/8/1981, p 7; 9/10/1982, p 13; 18/12/1982, p 16; 26/7/1986, p 1; 15/8/1987, p 14; 23/1/1988, p 14; 29/9/1990, p 8; 20/10/1990, p 13; 7/11/1992, p 8; 19/12/1992, p 8; 23/1/1993, p 4; 13/11/1993, p 11; 29/1/1994, p 5; 26/2/1994, p 4; 5/3/1994, p 4; 3/12/1994, pp 3,11; 17/2/1996, p 5; 8/3/1997, p 11; 9/12/2000, p 12; 16/12/2000, p 2; 18/10/2003, p 7; 9/4/2005, p 14; Others - 1999 SHF *Business Review*

²⁹ Adventists conduct camp meetings based on their American traditions. The researcher attended the Victorian Camp Meeting, at Warragul Victoria, on the 27/03/2005.

³⁰ Adventism forbids all unnecessary secular activity on Saturday, including reading newspapers.

³¹ The sensitivity of commercial advertising in Adventist media is highlighted by the decision of the Victorian Conference of SDA’s to ban such advertising in *Intravic* (March/April 2007, p19) the Victorian Conference newsletter (Refer Bibliography - Seventh-day Adventist Church. Victorian Conference (2003-2007). Reasons given included its “inappropriateness for Sabbath reading”...and failure to support *Intravic*’s core spiritual purpose.

³² *The Australian’s* (2/9/2002, pp 27-28) guesstimate is 40% of the SHF workforce of 1700 is Adventist, which is at the upper end of most informants estimates and would certainly include nominal Adventists.

³³ This informant laughed as they used the term “remnant” with its humour arising from how Adventists consider themselves a prophetic remnant and God’s true church.

³⁴ The dispute was with the Australian Manufacturing Workers Union (AMWU).

³⁵ Individual Adventists according to the AMWU supported the union against SHF.

³⁶ Many Adventists use this term to explain the paradox of an institutional church waiting for the 2nd coming.

³⁷ A number of examples from regional and rural Australia were used to illustrate this point.

³⁸ The church still runs a health food import and distribution company in Scandinavia. Refer – *Adventist News 1*, 2003.

³⁹ Bull and Lockhart (2007) also note that Adventism’s growth in the first world is typically concentrated in minority groups and the socially marginalized.

⁴⁰ Two informants indicated that the shortage of ministers is so great that the church will soon have no choice but to employ women or male Pacific islanders, a “gender or racial issue, one chuckled”.

⁴¹ Specifically prepared SHF reports are only available for the period 1997-2000, the thesis has termed them *SHF Business Reviews*.

⁴² Refer - *The Age*, 10/10/1996, p 3; *AFR*, 3/9/1996, p 33; *The Daily Telegraph*, 5/9/1996, p 8; *The Australian*, 5/9/1996, p 26; *Business Sydney*, 9/9/1996, p 8; *The Herald Sun*, 8/11/2000, p 3; *NZH*, 22/11/2000, <http://web.lexis-nexis.com/universe/do>; *Newcastle Herald*, 20/7/2000, p 12; *The Advertiser*, 13/5/2003, p 8).

⁴³ Reading between the lines, an approach adopted by Parr and Litster (1995, p 435) in *What God Hath Wrought*, to interpret the lack of information both non-financial and financial in regard to SHF decision making and activities. Parr and Litster indicate that *Record* reports on these matters are “revealing to any who are adept at reading between the lines”.

⁴⁴ An informant indicated that only a “trusted Adventist” would be given access to SHF records, including SPD executive minutes and SHF board minutes.

⁴⁵ TRY-athalon – a sporting activity for children that SHF claims reflects positively on Adventism’s lifestyle. It is arguably SHF’s greatest engagement with the community and has operated for 10 years in Australia and 16 years in New Zealand (*Record*, 26/1/2008, p 3).

Chapter 6

Invisible Bottom Line

6.1 Introduction

Questions about the SHF budget, income generated, profits and distribution of profits reach into the nerve centre of the operation of the SHF and its relationship with the Adventist church. Some of these issues admittedly touch on matters that are commercial in confidence and often the company and the church use this explanation to defend the absence of formal reporting on matters relating to finances. However, because the SHF is a not-for-profit business embedded within church structures, other issues relating to income, particularly to do with profits and the distribution of profits, draw attention to the importance of public disclosure and accountability, both to the Adventist Church members and the public. The issues of the imperative of financial reporting and the *practice* of not reporting are the focus of this chapter.

There is a good deal of public interest regarding SHF's mission to provide funds to support the Adventist church. SHF as a business, whose legal face are two trustee companies owned by the Adventist church, capitalizes on the church's charitable status so as not to provide financial reports or pay Australian income tax. This chapter provides an insight into the voluntary financial reporting and governance practices of the SHF both within the Adventist church and public media. The chapter explores how SHF's financial accountabilities have increased over the period of the study relative to the non-financial accountability discussed in Chapter 5. Despite the

shift in emphasis the change in reporting is largely covert and continues to be presented in the context of SHF fulfilling its Adventist mission.

6.2 SHF's Charitable Status

SHF does not provide formal financial reports to the Adventist membership. The church's media occasionally alerts the Adventist community to SHF financial accountability in providing the church with funds. Adventists (*Record* - 22/9/1975, p 38) were in the past informed by SHF general manager that it would be difficult to measure the value of SHF funds provided to the church. Another SHF executive, Adair, warned that the Adventist community should not take for granted SHF's capacity to earn money for the Church (*Record* - 30/3/1985, p 6), implicitly suggesting that no reasonable Adventist would do so. Despite the absence of regular financial reporting, there is general acceptance by church members that without SHF funds, there would be a significant reduction to the church's ability to fund its mission program in the South Pacific (*Record* - 26/11/1983, pp 10-11; 15/12/1984, p 10; 18/1/1997, pp 10-11). What is rarely acknowledged, however, is that without SHF support in Australasia, some smaller conferences¹ in the homeland² also would have collapsed. SPD treasurer, Andrews, informed readers of *Record* that Adventist institutions would not exist on their current scale without funds from SHF:

If it were not for the health food department earnings this Division would experience great difficulty in subsidizing the operations of such important training institutions as Avondale College in Australia and Pacific Adventist College in Papua New Guinea. (*Record* - 30/3/1985, p 4)³

The majority of students at the College are drawn from the Australian Adventist community of just over 50,000.⁴ Avondale provides the Adventist church in the SPD with qualified and committed staff for Adventist churches, schools, Sydney Adventist Hospital⁵ and other institutional endeavors. The College is central to

Adventism's institutional success but relies on SHF to continue operating. Similarly the Sydney Adventist Hospital also is dependent upon SHF funds (*Record* - 30/7/1973, p 9; 27/11/1978, pp 8-9; 30/3/1985, p 4; 15/6/2002, pp 9-10).

In a *Business Review Weekly* report (24-30/3/2005, pp 50-51) ranking the top Australian charities by gross revenue, the SHF, Sydney Adventist Hospital, and the Adventist School System were ranked 22, 34 and 51 respectively out of 200. These three institutions in combination resulted in the Seventh-day Adventist Church being ranked the fifth largest charity in Australia just behind the Salvation Army.⁶ While the level of SHF funding towards Adventist institutions is never specifically quantified, few would be surprised to discover that without SHF funding Adventism's ranking on the charities scale would be greatly diminished.

A recurring theme in references to SHF in the Adventist press is how God continues to support the Church through the generous assistance of the SHF. The accountability story in regard to those facts however is complex because it takes place within both the Adventist and the general community, with different media and at times quite different expectations as to what SHF's charitable objectives actually are. The general public's view of SHF is of a secretive organization about which little is known.⁷ In particular, the public media's criticism of SHF accountability relates to the lack of information regarding the company's profit and its charitable use. Implicit in such criticism is the relationship between the SHF and its Adventist owners.

6.3 SHF Financial Reporting

The general Adventist community is not privy to specific financial details concerning SHF. One informant wittily commented, “SHF reports are like a bikini. What they reveal is interesting but what they hide is vital.” A second made the cynical observation that the constant reference to SHF’s first financial contribution to the church’s mission work of “25 golden sovereigns”⁸ reflects an openness that does not exist these days. While all Adventist food industries provide little financial detail to the General Conference⁹ this is particularly the case with SHF. Harrison (1981) in *Spectrum* described SHF’s financial reporting as a “gaping hole” not even complying with minimum General Conference reporting requirements. *Spectrum*’s requests to SHF managing director, F. Craig, to outline why the company did not comply with reporting requirements were ignored. Harrison considers that SHF’s failure to provide information to the General Conference along with Craig’s silence is indicative of the secrecy surrounding all Adventist food industries but particularly SHF. Harrison writes,

There are probably few institutions of the church about which so little is known, yet which involves so large a financial investment.

For example, no financial information is available on the brightest star of the Adventist food industry – the Sanitarium Health Food Company of Australia. And therein lies an irony. There is little doubt that Australia has an impressively successful health food operation, but the extent of that success is known by only a few people within the church.

One thing that seems clear...is that the health food companies should be more open to the scrutiny of those who have a stake in these institutions - the constituency of the church. Presently, the managerial and financial accountability of these institutions is left in the hands of a select group of individuals and committees. The few public financial reports of these institutions are virtually meaningless, and the seeming paranoia about releasing financial information unnecessary. (Harrison, 1981, pp 28-36)

Reinhard, a retired assistant treasurer of the General Conference, offered this explanation for SHF not providing the required report,

that Australian law and subsequent company policy permits Sanitarium Health Foods to refrain from filing a public statement as a means of protecting confidential information from competitors. (Referred to in Harrison, 1981, p 29)

However as one informant jokingly noted regarding the SHF, the Adventist church has “utilised the concept of commercial in confidence a long time before the words were invented.” Commercial confidentiality and legal argument based on SHF’s status as a private business operating as a department of the Adventist Church and held in trust by companies that conduct no business of their own continue to be called upon to justify the company not supplying financial information (SHF Business Review, 2000, p 20; *Record* - 29/11/2003, pp 8-9). In the first published SHF Business Review (1997, p 2), SHF chair Bryan Ball explained that “As a privately owned company we are under no obligation to publish our financial reports.”

There is thus a tradition within the SHF that the company’s relationship with the Adventist Church minimizes its obligation to provide detail regarding SHF’s financial accountability. The same argument is used to explain the perception of SHF as being secretive not only with the public but unusually with its Adventist church shareholders, with *Record* (12/7/2008, p 9) describing Adventist food factories as “one of the movement’s “best-kept secrets”” despite reporting that collectively they contribute “millions of dollars to the mission of the church.” This secrecy helps raise additional questions amongst competitors, commentators and public policy makers about the use of SHF profit for charitable and community purposes (Access Economics, 2001). It also was a source of disquiet amongst the majority of

informants to this study. The tradition of silence has become so entrenched that an informant indicated that the SHF general manager, an accountant, extraordinarily questioned why financial information would be needed to write SHF's history. It is no wonder, therefore, that references to the giving of 25 golden sovereigns in 1906 and being able to read between the lines are standard fare within the Adventist media.

Church members support SHF because the company contributes to the church. As one informant explained, the reason why they have worked for SHF was primarily because it provides "unique support to the church." SHF support for the church receives strong endorsement from members, and while they are sensitive to the fact that "many private companies don't report" they are quick to add that SHF "is no ordinary private company." In a report to *Adventist Review Online* (2002) SHF historian, Litster, highlighted the size of SHF as the reason for it being an extraordinary company: SHF Cereal Turnover A\$350-400 million; Soy Milk Turnover A\$115 million; 1700 people employed in Australia and New Zealand; Exports to 30 companies.¹⁰ Litster also notes that SHF has business interests in the UK, Canada and South Africa with its soymilk product *So Good* being the biggest selling soy product in Canada and South Africa. Litster points out that SHF is the third major player in the Australian cereal market with approximately 20 per cent of the market and is the dominant player in New Zealand. While SHF's size and market share would suggest it would normally be a "reporting entity", there are other large privately operating companies that do not report. While SHF may be a unique support to the Adventist church, this same uniqueness creates public interest in a commercial entity that legally operates as a charity.

6.4 Media Profile of SHF

The irony is that while SHF receives charitable status because of its links with the Adventist church, the relationship between SHF and Adventism for the most part remains hidden from public view. As well, neither the public nor the Adventist community is privy to detailed information regarding SHF's financial accountability and charitable activity. Despite this lack of information, the perception of how SHF acquits its charitable accountability and stewardship very much depends on whether it is on Adventist or public view. The public view relies on mass media coverage of SHF¹¹, including both advertising and the success of NES in promoting SHF's dietary and nutritional activity. This occurred after 1995 and is linked to SHF forming a dedicated marketing department in the early 1990s.

Marketing and market share are major reasons why SHF gains visibility in the public media, with the cereal market being both competitive and heavily advertised. Both the advertisements and advertising agencies can thus attract considerable public attention, as occurred when SHF launched a comparative advertising campaign around the sugar levels of a competitor's cereal. Other references to the SHF include reports on product development, the company's dealings in commercial property, issues of industrial relations and food recalls (on one occasion the recall being in response to an extortion claim).¹² Connections between SHF and Adventism are occasionally mentioned with these issues. However the most sustained, detailed and negative links occur when SHF's charitable and tax free status is discussed.

According to one informant, SHF is fixated on media interest in their tax free status, no doubt due to its pejorative and sometimes sensational presentation, which includes errors of fact. SHF's fixation also appears to be motivated by the fact that

these reports highlight SHF's anomalous charitable status as being a key driver for three Commonwealth government inquiries¹³ concerning charities during the period under study. This scrutiny drew public statements from senior SHF management indicating that they needed to be more communicative with the public about SHF's mission, profit use and the company's relationship with the Adventist church.

The Adventist community's view of SHF financial accountability is heavily influenced by SHF's non-financial accountability, for reports on both are often juxtaposed. The lack of detail in regard to SHF's financial accountability is suggestive of a high trust environment, although the orientation of various Adventist adherents would be a significant variable in regard to that trust. (Refer to Chapter 4 sections 4.2 and 4.4.1). Harrison's (1981) *Spectrum* article indicates that not all Adventists consider that SHF's financial accountability is adequate and adds to the debate regarding Adventist governance outlined in Chapter 4. Section 4.6.1 noted an extensive list of articles drawn from the quasi-Adventist publication *Spectrum*, regarding Adventism's governance practices, some relating to structural matters, others to financial scandal and mismanagement. The Davenport and Harris Pines debacles¹⁴ in the USA even resulted in *Record* (*Record* – 19/10/1981, p 13; 9/10/1982, p 2; 5/3/1983, p 11; 7/5/1983, p 13; 28/2/1987, pp 13-14; 3/10/1987, p 6; 16/7/1988, p 3; 11/4/1989, p 3) taking the unusual step of making an official statement, with a significant change in rhetoric and actions between the two events. While *Record* ignored the substantive issues surrounding Davenport, including matters of governance, obsessive secrecy, and lack of both transparency and appropriate reporting, the Harris Pines bankruptcy drew a restrained but different response. *Record* acknowledged that the bankruptcy was caused by incompetent

management, lack of appropriate reporting and lack of lay involvement. The Adventist church's experience with Davenport and Harris Pines did have an impact on SHF. The most obvious was to set in train processes that would create legal structures to manage risk and potential cascading legal liability between the SHF and Adventist church, (Refer to section 1.5) and more lay involvement eventually occurred. Critically for this thesis, what did not occur was a more systematic and improved reporting.

As sections 4.6.1 and 4.6.2 demonstrated, Adventist laity writing in the Australasian *Adventist Professional* reflected American concerns expressed in *Spectrum* over Adventism's organizational structures and from the late 1980s until the end of the 1990s¹⁵ echoed *Spectrum*'s call for improved governance practices, openness and accountability. Lloyd, the Editor of *Adventist Professional* (1995, Vol 7(1), p 33), claimed that there was a "crisis of *distance*" between the Adventist church and its constituents, while not highlighting accounting reports. Others did. Wright, writing in *Adventist Professional*, considered improved reporting as essential to Adventist governance. He wrote,

While positive reports may be inspiring, balanced reports are even better. As a member, I believe I have a right to the facts. If ministers are resigning on theological grounds, or a business entity of the church is losing market share, or one of our hospitals is incurring increasing losses, or school enrolments are falling, the members should know, rather than being fed a highly selective diet of news releases that convey a quite different picture. (*Adventist Professional*, 1995, Vol 7(1), p 16)

While *Adventist Professional's* role was not to represent the Adventist constituency, most of its contributors were leading lay people, knowledgeable about church processes and politics. Marion Shields who served on the General Conference Executive and Audit committees wrote that the average church member wanted a

more professional approach to church processes; and more accountability for personnel and financial management. Shield's views could be considered representative of many Adventist professionals in the SPD when she writes,

With regard to financial management, external auditors should be given the authority to investigate thoroughly, and then the reports should be scrutinised rigorously by a separate committee of those with financial experience including committed, qualified and experienced laypeople... These are the rules by which most lay people have to abide out in the real world – and is it too much to ask that when we see corporate difficulties in our church we apply procedures that have 'made the difference' in other spheres? (*Adventist Professional*, 1999, Vol 11(1), pp 23-24)

Stafford in *Adventist Professional* (1996, Vol 8(1), pp 27-28) went even further, arguing that legal compliance was not enough and Adventist reporting should be an exemplar in financial reporting. Based upon this reasoning SHF would no longer use its status as a business of the church to avoid providing financial reports, (Harrison, 1981, p 29; SHF Business Review, 2000, p 20; *Record* - 29/11/2003, pp 8-9) but rather see the provision of such reports as part of their moral duty and as an exemplar in the not-for-profit area.

Despite these concerns and calls from leading Adventist lay people, SHF financial accountability for most Adventists is based on reading between the lines; or finding out information via the Adventist community's grapevine. SHF's contribution to SPD Adventism has become part of Adventist folklore, with the failure to calculate its precise contribution being a cause for celebration.

No one has estimated the amount that has been passed to the treasury of the Church for humanitarian endeavour and outreach through the years, but the funds must be considerable and the amount grows annually. ('Sanitarium Creating a Future,' Undated)

Estimates that are made fluctuate widely. Evans, acting as both President of SPD and Chair of SHF, in an SHF centenary flyer (Celebrating 100 Years – Sanitarium Health

Food Company – 1998) estimated that SHF had contributed \$3 billion dollars (equated in today's \$) towards SDA's humanitarian and community work. While Litster, a SHF historian¹⁶, in an article titled "Peddling Health" writes,

In 1906 workers in the Sydney restaurant were able to make a gift of 25 pounds (about US \$125 at the time) to assist with the island mission work of the church. Over the decades it has been conservatively estimated that the Sanitarium Health Food Company has donated more than \$1 billion of its profits to humanitarian projects as well as contributing directly to the budget of the Seventh-day Adventist Church in Australia and New Zealand. (*Adventist Review Online*, 2002)

SHF's overall financial contribution to the SDA church remains a matter of some speculation. Two informants and former SHF accountants, who had prepared reports with calculations of contributions to the church, explained that the figures are very tightly held. The reports of SHF financial accountability in the *Record* and other Adventist media are largely dependent upon SHF status reports supplied to the SPD executive.¹⁷ Executive reports sighted by the researcher do not provide either SHF profit figures or how such profit is used by the church. SHF historian, Litster, used *Record* as his primary source of information on SHF's financial accountability, which in turn reproduced figures noted in relevant SPD executive minutes. It has been confirmed by a number of informants that SHF status reports supplied to the executive generally are stripped of relevant financial information and supports the researcher's observation of executive minutes sighted from 1980 to late 1990s. Executive minutes sighted did not contain detailed financial information regarding SHF. These same executive reports often are reproduced verbatim in *Record*. Despite Litster being a trusted Adventist and having had access to internal SHF and church records, the financial accountability of SHF remains obscure and anyone interested in accessing such detail must rely on secondary sources like the *Record*.

In the absence of formal financial reports on SHF's accountability, church members and interested researchers have to rely on the occasional report presented at key Adventist gatherings. The substance of George Chapman's paper (Appendix 4) presented at an SHF Manager's convention at Cooranbong in 1936 presents a rare detailed glimpse on SHF financial accountability. Although Chapman's paper is outside the timeframe of the present study it is nevertheless significant because it provides critical evidence of Adventists ongoing cultural and emotional attachment to SHF. It also provides some empirical evidence as to how SHF profit had been used in studying the past. Despite the lapse of some seven decades, Chapman's paper is still considered to be looked upon as presenting a sensitive but insightful glimpse into SHF financial accountability. Adventist historians remain sensitive to its use, because the paper outlined in great detail the financial health of SHF up to 1936 which included its remarkable growth during the 1930s depression.

The Chapman paper revealed that SHF had contributed £329,812 towards church departments up to 1936. It notes that the contribution from SHF enabled Adventist entities such as Signs Publishing and Sydney Adventist Hospital to become debt free. In addition the paper notes that at that time SHF was meeting 75 per cent of the salary costs of SDA school teachers, 50 per cent of the capital cost of Adventist school buildings, 25 per cent of the capital cost of Adventist church buildings, and making substantial contributions towards Avondale College. In 1936 only 5 per cent of SHF profits were going to the mission field. Clearly SHF was essential to building up Australasian Adventist infrastructure, even though the precise details are not known. Several informants in the present study reported that they personally benefited from SHF's support for Adventist education. The significance of

Chapman's paper is that it verifies the absolute link between SHF profits and SDA institutionalism, a link that remains uncontested to this day.

The one significant difference between how SHF funds were distributed in 1936 and the present, can be traced to the appointment of American N.C. Wilson to the Australasian Division, in 1951. According to one informant, Wilson introduced a user pays principle to support Adventist schools. The informant believes the introduction of user-pays Adventist education freed SHF funds to build up Adventist mission infrastructure in the South Pacific. Once again the exact amounts provided to Adventist mission work are not known. However, it is an accepted fact in Adventist consciousness that SHF funds are used to prop up Adventist activities in the South Pacific missions. Support for Adventist mission work became the basis for motivating the predominately Adventist SHF workforce in the 1950s through to the 1970s, according to a number of informants. Although as one informant noted, considerable funds were probably still being used at home.

Chapman's report also highlights an early but ongoing reluctance to divulge information regarding SHF profits and their specific use by the Adventist church. The lack of similar documents in the archives examined would suggest that Chapman's report was exceptional, possibly unique. More importantly Chapman's paper shows that this financial detail is capable of being produced. Chapman (1936, p 4) states

A statement such as this, to a body of responsible men who we feel sure will hold this information in confidence, would not be at all complete without reference to one of the most important features in any business – NET PROFIT. We are not going back beyond the year 1930 because for a few years prior to that date there was not much variation in the figures. (emphasis supplied in original)

Chapman's report stands out as a beacon in the financial accountability of SHF for it quantifies the SHF sub-text in Adventist media regarding SHF's role in promoting and maintaining Adventism's institutional development in Australasia. It also supports Bull and Lockhart's (2007, pp 122-123) observations as to how centrally organized and planned Adventist society and financial structures are, with resources typically being concentrated on administration and institutions.

Chapman's candid report provides rare documentary evidence into how SHF funds are administered and used. Adventist members are aware of the existence of the Church's formula relating to tithes,¹⁸ but no such information is publicly available regarding the use of SHF funds, nor is this information accessible from within the SPD executive minutes observed in this study. That such a formula exists regarding the distribution of SHF profit is beyond doubt, as a formula approach to the distribution of SHF funds was indicated in the SDA Church's in-camera submission to the Industry Commission's Inquiry into Charitable Organizations in 1994.¹⁹ While weightings had changed over time, the critical point is that the use of SHF funds is formula driven and not subject to capricious change. As with much other detail regarding SHF financial accountability, the formula guiding the distribution of SHF profit is held by a small coterie of administrators and rarely surfaces. For the initiated Adventists, the principles of a formula approach can be seen in the fragmentary accounts of SHF financial accountability and stewardship.²⁰ The purpose of the following sections is not to fill the gaping hole in the SHF's reported financial records but to better understand that gap by exploring the various public strands of

SHF financial accountability available to both the Adventist community and the public.

6.5 Profit, Performance and Governance

Periodisation facilitates understanding by allowing the researcher to consider phenomena in the context of a continuum rather than focusing on single events in isolation (Berkhofer, 1973; O'Hara, 1985; Stearns and Chapman, 1992). This section examines the public reporting of SHF's financial accountability in three time periods: 1970-1994 - a period associated with the beginning of SHF's restructure focusing on the traditional approach to reporting on SHF's financial accountability; 1995-2000 - the period associated with the culmination of SHF's restructure and the beginnings of more transparent reporting; 2000-2005 – a period marked by a preoccupation with managing public perceptions of SHF financial accountability. The brief overview of SHF financial reporting over a period of three and a half decades highlights that while everything changes, everything stays the same.

6.5.1 1970–1994 - Traditional Approach to Financial Reporting

Arthur Maxwell, a well known Adventist and author of the *Children's Bible* and *Bedtime Stories*, observed that 28 per cent of the Australasian Division budget in 1965 came from SHF (Maxwell, 1966, p 82). While this maybe a benchmark figure for the 1970-1994 period, any one figure regarding the SHF needs to be treated with caution. *Reading between the lines* is an essential methodology for making sense of Adventist media reports on SHF financial accountability. Published figures should best be read as guides rather than taken as gospel. The reason for this caution is because there is no consistent reporting and figures are often combined or conflated

for impression management. Often the figures are rhetorical devices reproduced in part by editorial staff with limited financial literacy.²¹ A number of examples will illustrate this point. In 1970 the SPD treasurer, Lance Butler, reported in *Record* (7/9/1970, pp 7-8) that over the previous quinquennial²² 28 per cent of the Division's budget came from the three main Adventist business operations - SHF, Sydney Adventist Hospital and the Signs Publishing Company. A conservative estimate would put SHF at providing over 20 per cent of these funds and probably more. In 1975, the quinquennial report on SHF in *Record* (22/9/1975, pp 6-8) the figures provided were more specific. The 1975 report indicated SHF provided \$6,680,934 to the SPD treasury based on sales of \$209.5 million, representing an increase in SHF earnings of 47.11 per cent, and increase in sales of 68.5 per cent presumably since the last quinquennium. Yet despite the additional detail to the last dollar, the reader remains in the dark as to SHF's actual contribution to the SPD budget or have the necessary information to compare SHF performance against previous reports. Each reporting on SHF financial accountability is presented as a *unique event*.

Yearly figures regarding SHF typically are not reported in *Record*, yet for no apparent reason in 1977 a report in *Record* (13/3/1978, pp 2-3) revealed that the three main Adventist businesses of Signs Publishing Company, Sydney Adventist Hospital and SHF had provided \$2.06 million or 26.5 per cent of the SPD total budget of \$7.75 million. The combining of institutional contributions once again make it difficult to assess the net contribution of any one institution.²³ Due to a lack of consistent presentation, it is virtually impossible to compare the budget contribution of 26.5 per cent in 1977 with any average that could be calculated based on the \$6.7 million figure for the entire 1970 to 1975 periods. Moreover it is unclear whether the

above contribution included all SHF appropriations towards the \$8.5 million Sydney Adventist Hospital building program which was very much dependent on SHF funding (*Record* – 30/7/1973, p 9; 27/11/1978, pp 8-9; 30/3/1985, p 4; 15/6/2002, pp 9-10).

Little information on SHF's financial accountability was provided in *Record* during the 1980s. One explanation for the lack of financial information is the change of personnel at *Record*. A number of informants concurred that availability of information regarding SHF is very dependent upon gatekeepers. Editorial change at *Record* meant that the established relationships that facilitated information exchange with SHF may have contributed to the silence. Another explanation is the role of key individuals in SPD, including treasurer Tom Andrews who had a reputation, according to one informant, for concealing financial information. This view was supported by an article Andrews contributed to *Record* (30/3/1985, p 4) on SHF's financial accountability. Andrews provided no current financial information when reporting on the activities of the SHF but referred to the historical account of 25 golden sovereigns in the *SDA Encyclopedia*. Readers were implicitly instructed to read between the lines with a series of hypothetical what if questions about the difficulties the SPD would face in maintaining its institutional structures were it to operate without the availability of SHF funds.

One informant who supported the notion of having to read between the lines explained that, "Most people who wanted to know [about SHF's contribution], knew that about one-third of the Division budget comes from the SHF and those that are good at maths could work the rest out." Irregular figures provided in *Record* and

other Adventist media during the 1970s indicated that SHF was contributing between 20-26 per cent of the SPD budget. Executive minutes throughout the 1980s (not readily available to most Adventists) show a contribution of between 20-30 per cent of the SPD budget (Executive Minutes – Report 1984; Report 1988; Report 1991). An astute Adventist therefore could make a reasonable guesstimate of SHF's contribution to the Adventist church for most of the period 1970-1994.

Irregular reporting frustrates comparative analysis and allows errors to go unchecked. This occurred with a report in *Record* relating to the 1990 quinquennium. After years of silence the *Record* reported that SHF's profit had doubled over the last five years and contributing 15.32 per cent of the SPD budget (29/9/1990, pp 9-12). This report would have potentially mystified Adventist members who were being assured that SHF profits had increased but the budget contribution had declined. Even more confusing was a report in *Record* six months later (2/2/1991, pp 13-14) that announced SHF was contributing 25 per cent of the SPD 1991 budget. This error can be attributed to *Record's* editorial staff who misread the SPD executive minutes (*Executive Minutes* – 1988 Report). *Record* staff used the 1989 Australian figures that excluded SHF fund transfer from the NZ division of the company.²⁴ The initial report also failed to report that the average yearly contribution from SHF to the SPD budget for the past quinquennium was estimated to have been about 30 per cent. Only a most astute follower of SHF reporting would have been in a position to query this error. An editorial in the *Record* highlighted the need for financial literacy to make sense of SHF's financial reports:

As the committee was led through the balance sheets and other deep and potentially treacherous waters, I wondered how newcomers to the committee cope. I asked a former senior church administrator ... He said that when you've spent years in administration you learn to understand even complex

balance sheets. 'But there were still things I didn't understand', he added. (*Record* 30/6/1990, p 10)

One could extrapolate from this explanation that church members receive financial reports in accordance with their understanding.

However, despite the ad hoc information provided, the irregular reporting, and the occasional misinformation, one is nevertheless assured that between 1970 and 1994 SHF contributions consistently made up between 20 to 30 per cent of the SPD budget.²⁵ The broad approximation of SHF's contribution of between 20 to 30 per cent to the SPD budget was sufficient to reassure church members not only of SHF's strong links with the Adventist Church, but also that God was using SHF profits to bless the Adventist community.

In relation to SHF's financial reporting, during the 1970 to 1994 period, the official Adventist church was satisfied with the reporting arrangements. In their confidential submission to the Industry Commission in 1994 (*Seventh-day Adventist Church, Submission to the Industry Commission*, p5), Church officials noted that the internal arrangements for governing SHF were acceptable to the Church and that the "present public accountability arrangements for funds raised by the SDA church are adequate and should remain unchanged."

It is important to note that even though SHF and Church authorities were not willing to divulge the figures in relation to SHF profits or the exact amounts SHF was contributing to the Adventist church, sales and production figures were readily available at a time when other public companies would not reveal them (*Record*, 22/9/1975, pp 6-8).²⁶ SHF reporting reveals a sensitivity reversal with regards to key

financial figures. In the Adventist community, SHF's financial health was largely measured by increased sales, production levels, market dominance and development of physical plant. At times the level of detail in relation to these areas is considerable and contrasts with the reluctance to provide profit figures. *Record* for instance reported that for the 1970 quinquennium,

195,167,304 packages of health foods were processed in our factories... [and that retail] cash registers kept ringing to good purpose, recording 18,391,000 individual sales. (*Record*, 7/9/1970, pp 44-46)

The lack of rounding evident in this report was normal and this type of reporting was widely used in *Record*.²⁷ On occasions, the reporting involved unusual calculations of SHF's productive capacity simultaneously hinting at the firm's financial health while reinforcing the Company's achievements:

The Sanitarium Health Food Company produces Weet-Bix all year round – apart from the end of year and the midyear shutdowns. The five production lines at Cooranbong (NSW) make enough biscuits *every day* (sic) that if placed end to end the Weet-Bix would reach from Dora Creek [in Cooranbong, NSW] to the Sydney Harbour Bridge! (*Record* -11/5/1991, p 8)

In a similar manner SHF's financial health was measured by referring to SHF's building and plant improvement programs, market penetration and number of employees.²⁸ Adventists were regularly reminded that Weet-Bix is Australia's and New Zealand's most popular breakfast cereal, with SHF being New Zealand's dominant cereal manufacturer and Weet-Bix being voted Australia's favorite trademark (*Record* - 14/10/2006, pp 1-3), and that SHF was a leader in soy-milk production in Australasia, North America and the UK.²⁹

These achievements were used as a barometer to highlight the financial health of SHF. Indirectly they also communicated to the Adventist constituency a sense of SHF's prosperity and importantly drew attention to SHF's non-financial bottom

lines. In SHF's indirect style of reporting *all* forms of accountability and stewardship, both financial and non-financial, were combined. SHF's financial success provided Adventist members with rational evidence of God's providence, reassurance of Adventism's activities in health as a religious duty and importantly proof that resources were being provided to support the church's mission. In the Adventist economy, SHF represents an outstanding example of the Adventist "genius for mixing otherworldly and this-worldly concerns" (Butler, 1979, p 7).

6.5.1.1 The Emergence of SHF restructure - Retail Closure

While 1970-1994 was a relatively prosperous time for SHF, the company was also under pressure to restructure its operations (*Record* (10/6/1995, p 10). Church members in general would consider the 1996-1997 closure of SHF factories and 20 per cent reduction in staff as the SHF restructure, but the rationalisation had commenced in the late 1980s with four significant events: first, the legal restructuring that commenced in 1988 initially by creating a separate New Zealand company; second, the 1988 closure of SHF retail stores; third, the ongoing discussions beginning in late 1980s and concluding in 1994 (that resulted in SHF breaking away from the unified Adventist salary scale) and finally the commencement in 1990 of new production facilities at Berkley Vale.

SHF retail closure was the visible beginning of the company's rationalisation. The retail shops were the public face of the SHF and a means by which the company publicly demonstrated identification with Adventism's sense of mission. While NES may have been established to replace retail as SHF's public face, the evidence provided in Chapter 5 showed the scarcity of links between NES and Adventism. In

fact, the closure of retail meant that SHF's core activities became confined to manufacturing, wholesaling and marketing and by default, increased SHF's emphasis on financial accountability.

The Adventist community was unprepared for the retail closure and the ad hoc and irregular nature of SHF financial reporting provided little reassurance to church members. While a graph in *Record* (11/6/1988, pp 10-12) indicated that retail had been losing money since mid-1984, it was difficult for lay members to derive this interpretation merely by reading between the lines. *Record* prior to the closure had continued to promote retail's non-financial accountability and stewardship credentials, encouraging Adventists to seek retail careers and announcing six months earlier a new retail initiative (*Record* – 30/3/1985, p 11; 26/4/1986, Employment Liftout; 28/11/1987, p 8).

The information provided in *Record* (11/6/1988, pp 10-12) concerning the closure was virtually a replication of the Division executive minutes, the same source that previously had not indicated any financial problems relating to retail. It is possible that the Division Executive was not privy to the decision making information held by a small coterie of administrators within the SPD. The unexpected closure of retail also confirms a close connection between *Record* and the SPD executive minutes in terms of SHF information flow. Furthermore, SHF's non-financial accountability and financial accountability were juxtaposed to explain the closure. Of the seven reasons offered to church members to justify the closure, six related primarily to SHF's non-financial accountability and stewardship. The fulfillment of these obligations meant that the retail shops could not operate profitably. Reasons offered included an

inability by the company to attract appropriate Adventist staff, competition from owner run health stores whose philosophy according to one informant included selling beer-making kits, loss of Saturday trade, the ability to access high volume shopping centers due to being unprepared to trade on Saturday, and the problem of using retail as an avenue for witness. The only financial issue raised was that supermarkets were now stocking many SHF items.

While non-financial accountability was highlighted, the sobering bottom line was that losses by retail, if continued, potentially reduced funds available to support “the overall outreach of the church” and that the retail investment could be used more productively by SHF to return even “more funds for church outreach and for company expansion” (*Record*, 11/6/1988, pp 10-12). Informants were split on the retail closure. Some felt that while regrettable, the closure was inevitable. Others felt that it could have been prevented. Not surprisingly most felt it had been poorly handled in terms of informing the Adventist constituency. Those who felt that it could have been prevented pointed to poor management. Another suggested that using a contribution margin approach that stripped out the arbitrarily imposed administrative charges of the SPD would have shown that many shops were viable and therefore capable of continuing their contribution to Adventist communities as they mainly employed Adventists. A third informant suggested that the retail closure had so significantly reduced SHF non-financial accountability obligations, that SHF’s primary purpose, in fact its “only mission” from that point was to *generate funds to support the church*. This informant also believed that the SHF itself should be sold.

Although the closure of SHF retail shops was largely ignored by an Adventist media that for the most part is compliant and passive in regard to administrative decisions (Pearson, 1990), it was not lost on the financial press. *Business Review Weekly (BRW)* (13/8/1993, p 62) noted that the decision to close retail went beyond the religious reasons offered, as the decision involved the company having to choose between SHF selling in their own stores or in supermarket chains. The closure of SHF retail highlighted the importance of all SHF's accountability obligations. The closure of retail also signaled a shift in balance in favor of financial accountability – while maintaining the obscurity in its reporting.

6.5.1.2 The Emergence of SHF restructure - Independent Salary Scales for SHF Employees

One of main links between SHF and the Adventist church was the unified salary scale that tied SHF executive and middle management salaries to Adventist minister salaries. SHF employment was considered a call to service and a number of informants indicated that they or their parents had accepted salaries well below market rates to support the church's mission. By the 1980s, traditional appeals to Adventist idealism, sacrifice and mission were no longer effective, with SHF taking the unprecedented step in 1986 of advertising for employees in *Record* (30/3/1985, p 2; 26/4/1986, insert). The two main reasons advanced in *Record* for Adventists not seeking employment with SHF were the company's poor reward structures and the growing disenchantment of staff being constantly moved between Adventist institutions all over the SPD.³⁰ A report that 9 out of the last 10 graduates employed by SHF had left the company, made it patently clear that SHF could not attract suitable staff, Adventist or non-Adventist (*Record* - 30/6/1990, pp 8-12; 29/9/1990, p

10). Arguably the discussion on allowing SHF to break away from the unified salary scale was one of the most sensitive issues of Adventist governance ever discussed in *Record*. Unified salary scales between Adventist institutions emphasized their commonality of purpose, belief, mission and financial sacrifice. Adventist clergy who were the main decision makers and arguably the main beneficiaries of the scale were reluctant to make any break. SHF had successfully contributed to the church on the basis of a unified scale for over 90 years. The break was a watershed decision although not all ramifications were necessarily canvassed.

Despite pressure to maintain a unified scale, commercial and practical imperatives prevailed and differential salary scales were introduced in a number of stages and took several years to implement. First, company cars were provided while more research on the potential impact was undertaken. SHF continued arguing that by attracting Adventists to SHF this would help to preserve SHF's Adventist heritage. A quiet implementation of differential rates was introduced late 1994 (*Record*, 1/2/1992, pp 10-11; 13/8/1994, p 7). Adventist President Scragg, in an earlier discussion on this topic, expressed uncertainty as to the "long-term impact ... on the church," of breaking the unified scale. On the other hand a leading Adventist layman Eddie Long indicated that the church had to face "up to the facts of life." Informants provided evidence as to how difficult this decision was with one indicating that it remained an issue within the SPD executive from 1994 until he resigned, with concerns constantly raised about whether SHF returns justified the increased salaries.

The responses of constituents, to SHF providing cars as part of a salary packages was positive, if letters to *Record* (4/8/1990, p 3; 18/8/1990, p 3) are a guide. However one

letter, while supporting increased remuneration, argued that all SHF employment should be based on performance and merit, a view that attacked SHF's cooperative culture. While some readers of *Record* disagreed with this view, the link between higher salaries and SHF profitability was gradually forming and would eventually lead to more emphasis on SHF financial accountability. While some Adventists remained ignorant of the potential ramifications of breaking Adventism's unified salary scale, this was not true of everyone. Adventist administrators, academics and professionals would have been able to anticipate some of the impact. Administrators and academics were aware of what had occurred when Adventist hospitals in the USA had broken free of the unified wage scale in 1979. Readers' of *Spectrum* and General Conference personnel shared their concerns with SPD administrators. Adventist lay professionals on the other hand were becoming aware of how executive salary packaging was changing corporate behavior, as well as the Adventist ethos (Bull and Lockhart, 1989, 2007). There was now a clear fracture in the hitherto close relationship between SHF employees and other church employees. From their knowledge of the experiences of Adventist hospitals in the USA, church leaders could anticipate that SHF invariably would seek to develop and define a more independent sense of its mission (Bullock and Lockhart, 2007). The change in pay structure also signaled that SHF could now employ even more non-Adventist staff at all levels of the organization.³¹ An informant noted that SHF management were constantly being asked by the SPD executive to justify their market based salaries, no doubt prompting SHF to adopt an increasingly professional and commercial outlook. Under such circumstances it is arguable that SHF like the USA Adventist hospitals would find it difficult to maintain their traditional sense of mission, witness and ethos as an Adventist institution (Bull and Lockhart, 2007).

While one would not anticipate that SHF would follow the exact path as American Adventist hospitals, their experience is instructive. For it was the hospitals' independence from the church's salary scale that was absolutely essential in allowing Kellogg's alternative Adventism to flower and develop a vision around Christian rather than Adventist values and the pursuit of nonsectarian, humanitarian and philanthropic goals. Unsurprisingly the Adventist media did not pursue the impact of breaking the unified salary scale (Pearson, 1990). However the public media took more interest in the SHF changes partly on account of the 1994 Industry Commission Inquiry into charities, but also because of the SHF's marketing department established in 1992.

SHF's marketing department was intent on developing links with the secular media to take commercial advantage of community esteem for SHF, something SHF had not previously done. SHF marketing thus provided a point of contact for the mass media to penetrate SHF's fortress mentality (*Business Review Weekly (BRW)*, 13/8/1993, p 62; *Australian Financial Review (AFR)*, 18/10/1994, p 36; *The Age*, 11/8/1994, p 23; *Sydney Morning Herald (SMH)*, 11/8/1994, p 32). Unbeknown to most Adventists, the public media became aware of SHF's financial health via its contacts within SHF marketing. In late 1993 an article in *BRW* (13/8/1993, p 62) reported a lack of marketing activity at SHF and a review of SHF's advertising account, the first since 1967. A rival marketer was quoted as saying: "something is going on in Sanitarium and I don't mean something positive" (*BRW*, 13/8/1993, p62). Reports in *Record* at the beginning of 1995 (21/1/1995, p 9; 10/6/1995, p 10) reassured members that SHF and other key Adventist institutions would provide over

50 per cent of the SPD budget³² in line with normal constituent expectations. SHF financial accountability looked bright with announcements of increasing SHF production, the construction of a new factory at Berkley Vale, NSW, SHF's increased market penetration, and God's unlimited financial blessings on account of SHF's successes. However, those who could read between the lines and the *BRW* (13/8/1993, p 62) were not reassured.

Kellogg, a major competitor of SHF, had centralized its Australasian production in Sydney, whereas SHF had ten factories spread over Australasia.³³ There were commercial advantages in the past with this production arrangement based around a sacrificial management and compliant blue-collar Adventist workforce but things had changed. The blue-collar Adventist workforce was disappearing and to attract Adventist managers, the unified salary scale had been broken. SHF had to be competitive and efficient by further restructuring to protect its market share and critically by ensuring that its Berkley Vale investment showed an appropriate return. Some elements of a restructure were in place but there was no evidence of a clearly articulated plan. SHF had more than met its financial obligations to the Adventist church. Indeed it was becoming a cash cow. However, the communitarian non-financial bottom line that provided a competitive workforce in the past, had produced Adventist institutions that could now starve SHF of capital. One informant indicated that the inability to access capital was an ongoing issue for SHF and arguably was one of its distinguishing commercial features. In the context of SHF's multiple accountability and stewardship roles capitalisation was going to be difficult. The individual given the responsibility of dealing with these realities was Bob Smith, SHF's new CEO who was appointed late in 1995. Bob Smith's period as CEO was a

period of unprecedented openness and candor in regard to SHF financial accountability.

6.5.2 1995-2000 – Breaking with the Past

“Sanitarium considers changes in NZ” (*Record* - 25/5/1996, p 10), “Sanitarium to Close Palmerston North Facility” (*Record* - 22/6/1996, p 13), “Sanitarium Head Plans for Change” (*Record* - 20/7/1996, pp 6, 11-12), “The Trauma of Sanitarium” (*Record* - 28/9/1996, p 2), “Sanitarium: Some Gain, Some Pain” (*Record* - 28/9/1996, p 9) - these headlines in *Record* six months after Smith’s appointment as SHF CEO would have alarmed the Adventist constituency. The tenor of the articles was in sharp contrast to the announced retail closure and in the reliance of *Record* readers on SHF’s traditional messages of financial accountability and reassurance. The financial information provided was unprecedented and while still limited, only served to reinforce how minimal the information had previously been. This was open restructure.

The level of detail provided in *Record* about SHF activities was, by previous standards, remarkable. The articles stated that the objective of the restructure was to cut \$8 million from the company’s overheads primarily via staff reductions. Smith candidly stated in regard to staff reductions, “We have no alternative. We have one opportunity, and we have to do it right the first time” (*Record* - 20/7/1996, p 6). Smith’s goal was to refocus SHF’s preoccupation from “distant history” to the here and now. He declared that he had “no time for the past” as he was aiming to win the future (*Record* - 20/7/1996, p 12). This statement is extraordinary considering how

much of SHF financial accountability was linked with the past. *Record* noted the following from an interview with Smith:

He ... shared with Sanitarium staff figures since 1981 of the company's sales and profits. He has shown them how much has gone to the church. **"They have never seen these things before"** he says. "But how can you have people onside, trusting you, unless you trust them with valuable information? I would like to engender trust in the people who work with me, to let them know I trust them, and to share these details – both good and bad – with them. I want them to know where we stand and what our aims are so that together we work toward them. (*Record*, 20/7/1996, pp 6-11, 12- emphasis added)

Smith's candid remarks accentuated how ignorant both the Adventist constituency and SHF employees were on details of SHF's financial accountability. This willingness to share financial information to motivate employees and inform the Adventist constituency was in sharp contrast to the official Adventist view put to the Industry Commission eighteen months earlier. The financial reports of SHF hitherto available to church members were clearly inadequate. Church member ignorance was all the more remarkable given the village nature of Adventist community that was built around close family networks and high levels of denominational employment and interdependence. The information vacuum is further evidence of how tightly the SHF guarded its financial information.

6.5.2.1 SHF Financial Accountability at its Best

From 1995-2000 a rebalancing of reports on SHF's financial and non-financial accountability occurred largely due to the personal openness of SHF CEO Bob Smith. For the first time *Record* presented to its Adventist readers a warts and all perspective of their company. Smith candidly indicated SHF was in trouble:

profits are diminishing. They are nowhere near the industry's standard; it isn't acceptable; and it is going to mean a lot of hard work and considerable cost reductions to set it right. We [SHF] have to be the best. In the past, if our

sales increased over last year, then that was wonderful. But that's no longer good enough. At the end of the day, we have to be able to say to our stakeholders – the church – that we have achieved our aim. And if we aren't achieving the benchmark of the industry, we are not doing it right. (*Record*, 20/7/1996, pp 6, 11-12)

Smith challenged the traditional approach of using sales as a proxy to measure SHF's financial accountability rather than a return on investment. Smith was convinced that all church stakeholders should understand how SHF's financial accountability was being met, not just a coterie that one informant described as keeping "the information under their sweaty armpits".

Smith visited all SHF production facilities in Australia and New Zealand to inform employees of management's plans (*SANCO News* – 1995, Vol 27(3), p 3; *Record* - 20/7/1996, p 11). Communication was not confined to SHF employees but included the entire Adventist constituency through the *Record* and directly to pastors via letters to share with their congregations (*Record* - 28/9/1996, p 9). The communication campaign certainly was an expression of crisis management.

However Smith's communication campaign continued after the restructure had been completed and involved the first ever publication of SHF Business Reviews for the period 1997-2000 (*Record* - 24/7/1999, pp 6-7). Face-to-face communication between SHF executives and Adventist constituents at Adventist camp meetings became a priority and included information on the level of funds SHF provided to the SPD (*Record* - 23/11/1996, p 10). SHF undertook surveys at the annual Adventist camp meetings to assess church member knowledge of the company's contribution to the Adventist church. It is worth noting that a report in *SANCO News* (1996, Vol 28 (1), p 4) reported that church membership knew a lot about SHF's mission relating to

religious belief and practices, but was ignorant of matters relating to financial accountability.

Four *Business Reviews* together with a series of articles in *Record* from 1996 until 2000 provided ongoing disclosure regarding SHF.³⁴ While in no sense ideal, these collective disclosures did provide insight into aspects of SHF financial accountability hitherto kept hidden from church members. Central to these disclosures was the establishment of accountability and performance measures for SHF staff whose salaries were no longer pegged to the unified salary scale.

“In an era when accountability is often a buzz word, it is becoming a reality at Sanitarium” heralded the *Record* (28/9/1996, p 2). The challenge for SHF was to replace the Adventist culture of decision making by committees with a process based on individual responsibility and accountability (*Record* - 20/7/1996, p 11). On the matter of individual SHF staff accountability Smith noted:

In the past we’ve always been able to blame someone else, but now each person in the business unit, and the general manager of the business unit, is totally responsible for decisions. Just as I am responsible to my area and accountable, so they are in theirs. If any of us don’t function and perform, we’re accountable and have to take the consequences from the Board for that nonperformance. [Mr Smith speaks of a formal annual review] for every key person, every site, every business unit...I don’t mean that as a threat, but we have to ensure that an appropriate mechanism is in place, identifying problems and being able to work on them on a more timely basis. (*Record* - 23/11/1996, pp 10-11)

This changing culture had also reached the SHF Board. The Board previously had many ex-officio denominational employees³⁵ now had only 13 members, six of whom were lay people. An informant who had been a member of a previous SHF Board, indicated it had not functioned like a board, being dominated by SHF’s General

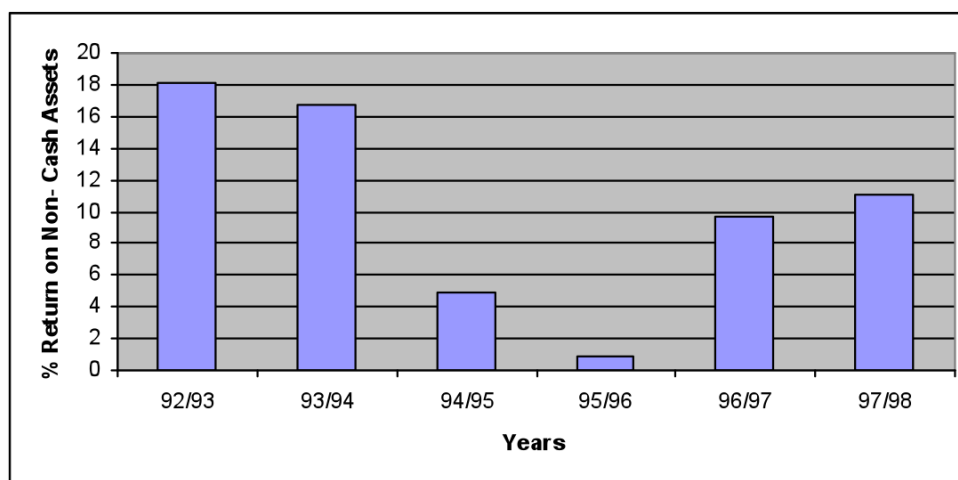
Managers, and welcomed the change as timely. The SHF restructure (including factory closures, staff redundancies, discussion of discontinuing some traditional product lines,³⁶ speedy removal of new products if unsuccessful, and an emphasis on market leadership) was becoming evident to the church community. Accountability also was demonstrated with the SHF being divided into five divisions, with management instructed to act independently and choose core products. The creation of divisions within SHF meant that the manufacture of unprofitable vegetarian products in particular could no longer be hidden behind profitable SHF market leaders such as Weet-Bix and So-Good.

Most reassuring to church members was the news that SHF was debt free and that further rationalization of SHF commercial properties would allow those funds to be more productively used. Examples of such redeployment included strategic business investments in Australia and overseas which included payback times for debt or investment. For Mellow Yellow Products Pty Ltd³⁷, the payback would be 4 years. UK investment, initially was planned for 3 to 5 years but revised to 7 years. Royalties from a South African licensing arrangement were estimated to be \$400,000. This level of information was unprecedented (particularly the revision of payback arrangements) as previously bad news was never reported (*Record* - 20/7/1996, pp 6, 11-12; 28/9/1996, p 9; 23/11/1996, pp 10-11; 28/6/1997, p 11; 17/7/1999, pp 6-7). Announcement of the closure of the retail operation for example, was made *after* the event.

Smith added to the level of transparency by revealing that SHF's bonus rate for executives and managers would be 25 and 15 percent of salary respectively. As SHF

was going through a transitional period, the bonuses were not yet being linked to profitability (although this was indicated as a future strategy). SHF communitarian culture was changing and senior management now had a clear understanding that they either had to perform or go (*Record* (24/7/1999, pp 6-7).

SHF published only four Business Reviews (from 1997-2000) in its history and all under Smith's CEO tutelage.³⁸ The Business Reviews still lacked consistent format which limited the ability to compare information. However collectively, they represent the best publicly available source of information on SHF's financial stewardship to date and the information they contained was more comprehensive than any SPD Executive Minutes sighted by the researcher in the course of the present study. The reviews do not contain formal financial statements but rather embed financial information, including bar and pie graphs, within the narrative. The narrative format was consistent with the approach to financial reporting that members were used to. The 1997 and 1998 reports contained the most financial data, with the last two concentrating more on marketing, although all included information on SHF activities not recorded elsewhere. Without prior reporting traditions, each review focused on a particular theme and unique layout, reminiscent of early Dunlop Ltd company reports that the researcher had observed prior to them becoming standardized by convention.

Table 6.1 - Operating Return on SHF Non-Cash Assets, 1992/1993³⁹

The business reports ceased with the ending of Smith’s tenure as SHF manager, and thereafter reporting reverted to the former secretive ecclesiastical reporting. The first Business Review for the 1996–1997 financial year, reported on what Smith had indicated in *Record* (25/5/1996, p 12) would be a “disastrous year” for the church as far as SHF profit transfer. The 1997 Business Review indicated that SHF’s goal over the next three years would be to achieve an operating return of 15 per cent on SHFs non-cash assets. Comparative information on the return of SHF’s non-cash assets would suggest that this was achievable, as shown in Table 6.1. The report also had a graph showing sales turnover, which despite growth, was forecasting a decline in profitability, thus creating a clear but unstated case for controlling costs. The 1999 and 2000 Business Reviews did not provide further information on these measures, and there is no reference to financial projections in subsequent SHF reports.

Table 6.2 - Financial Contribution of SHF to SPD Operation of Australian SDA Church, 1986-2000

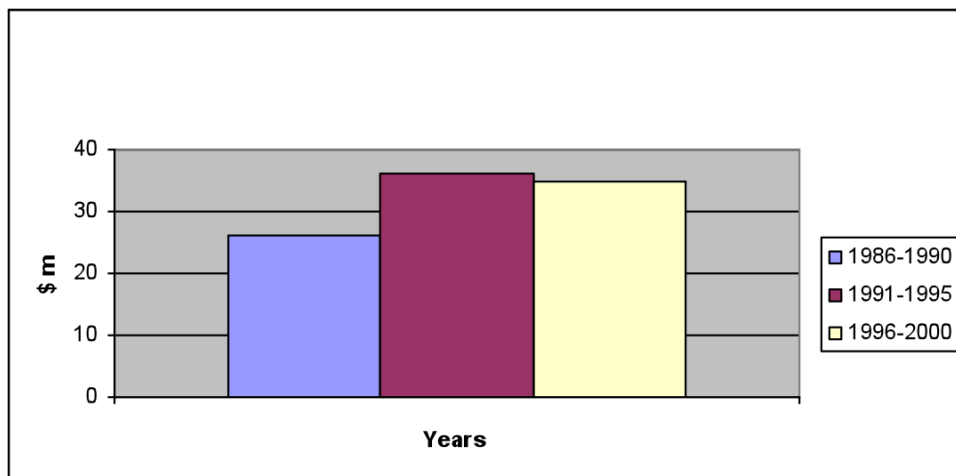
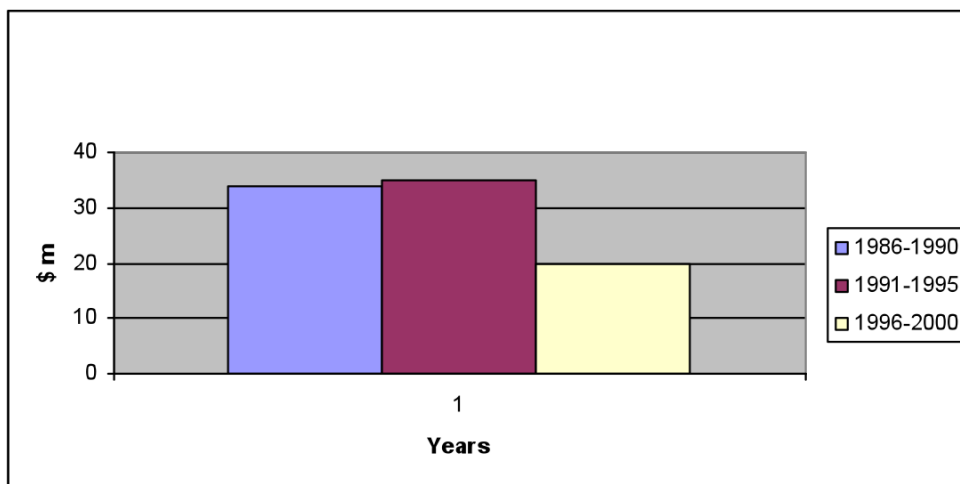


Table 6.3 - Financial Contribution of SHF to NZ SDA Church, 1986-2000



The 1997 Business Review also showed a graph indicating past contributions of the SHF to the SDA Church from 1986 to 1995 with actual results factored in for two of the five years from 1996-2000 and with forecasts for the next three years (Tables 6.2 and 6.3).⁴⁰

While this information was far from complete it reflected a new willingness by SHF management to engage with its Adventist stakeholders. However, equally significant was a willingness by SHF management to share financial information with the public media. *The Dominion* (Wellington, NZ) (19/3/1997, p 30) reported that SHF was going to “give profit figures for the first time this year” as the “company could no longer afford not to talk”. The report in the *AFR* (14/2/1998, p 32) used the 1997 Review when reporting that SHF’s operating return on non-cash assets had grown from 0.9 per cent to 9.7 per cent but below the 18 per cent achieved in the early 90s, and that between 1996 and 2000 SHF was expecting to contribute \$55m or 65 per cent of its earnings to the SDA church. Such openness was in contrast to the reports built around press releases from Litster, the SHF historian, who clung to SHF’s traditional approach to financial accountability (built around productive capacity) to highlight SHF’s 1998 centenary (*The Sunday Star-Times*, 26/4/1998, p 6; *Newcastle Herald*, 28/4/1998, p 7).

With the departure of Smith, an opportunity for SHF openness and transparency was lost. At the same time, the processes he introduced illustrate how difficult it is to change a reporting culture. The public press continued to publish reports on the changing culture at SHF (*The Daily Telegraph*, 25/4/1998, p 7; *The Sunday Star-Times*, 26/4/1998, p 6; *Timaru Herald*, 27/4/1998, p 8; *SMH*, 27/4/1998, p 9). A report in *The Australian* regarding the appointment of a new marketing director for SHF highlighted that the company was “looking for the first time beyond the ranks of its owner, the Seventh Day Adventist Church, for a senior executive” (*The Australian*, 21/11/1996, p 26).

One informant in the present study considers the increasing professionalism of SHF management and seeming SHF independence from Adventist bureaucracy as the most salient changes between 1995 and 2000, and this new climate of professionalism was reflected also in willingness for the company to be more open about its financial accountability. A second informant was not as convinced that SHF was operating on strict commercial lines and commented that the culture of secrecy at the SHF and the higher echelons of Adventist bureaucracy would take at least a generation to sweep away. However, the concern of this second informant focused not on the changes *per se* but on whether these would last.

Not everyone in SHF appreciated Smith's reforms. One informant considered that he did not understand the business, was weak as a leader and relied on external consultants when making decisions. There were also church leaders who believed they had made a mistake in appointing Smith, particularly on account of his hands-off management style in regard to SHF Divisions. However, if letters to the *Record* are a guide, Bob Smith's openness and candor on SHF's financial accountability were welcomed. Headlines such as, "Frankness appreciated", "Support for SHF", "Timely" (*Record*, 17/8/1996, p 3), "A Breath of Fresh Air" (*Record*, 24/8/1996, p 3) and "Sanitarium a Winner" (*Record*, 5/10/1996, p 13) reflect his support among church members and surprisingly focused on his "frankness". All provided support and prayers, although one cautioned SHF about relying upon consultants who "know not the God of the Hebrews"⁴¹ (*Record*, 5/10/1996, p 13). Terry Butler, the SPD Health Director and Adventist pastor wrote to *Record* (17/8/1996, p 3) stating, "This is the type of communication that I hope we can see more of from our leaders in future." Smith played a key role in changing the emphasis of SHF accountability

from non-financial to financial. The change also brought to the surface the previously submerged tension between the financial and non-financial mission goals of SHF; this will be illustrated with reference to the closure of the Palmerston North Factory in NZ and the vegetarian food market.

6.5.2.2 Rebalancing SHF Accountability - Closing the Palmerston North Factory

The closure of SHF's Palmerston North's factory (*Record*, 25/5/1996 p10; 22/6/1996, p13) highlights the enormous challenges confronting SHF. The Palmerston North operation was adjacent to Longburn College, Adventism's major educational institution in New Zealand and replicated the arrangements at Cooranbong, NSW (Parr and Litster, 1995, pp 74-81). The factory closure was symbolic of a movement away from SHF supporting Adventist communitarianism and cooperativism. The closure generated strong emotions and one informant reported that his anger still remains. For as *Record* (28/9/1996, p 2) reported, the factory's closure would mean that "many [Adventists] who sit in pews ... [would] need to know they have not been rejected by the church ... [particularly] if they've seen their work for Sanitarium as part of God's calling for them." The closure of the Palmerston North factory provided Adventists with clear evidence that a reformation was taking place in the SHF and everything was on the table, including the business's role in Adventist institutions and communities (*Record* - 20/7/1996, p 12).⁴²

SHF acknowledged openly in *Record* (20/7/1996, p 11) that the Palmerston North factory was the most cost effective SHF operation in New Zealand (perhaps on account of its overwhelmingly Adventist workforce) however its geographic distance

from markets and transport hubs meant that strategically it could not be consolidated into a more efficient New Zealand operation for the long term. Although the financial concerns were never made public, one informant believes SHF was under pressure to achieve an appropriate return on the investment at the newly commissioned Berkley Vale production plant.⁴³ The reality was that although SHF restructure may have been inevitable, it was brought to a head by a decision to over-invest in cereal production, a strategic error of SHF management that had serious ramifications in Adventist communities.

One informant noted that while Berkley Vale was justifiable, that operation needed to be built more slowly to allow for Adventist communities at Warburton and Palmerston North to adjust. Commercialization had become the key driver for change and had taken over SHF's mission and Ellen White's advice. The same informant indicated that laymen on the executive had pushed for a return on the Berkley Vale Investment and cynically observed that Cooranbong would never be touched because too many church leaders and SHF managers lived there. The only positive for the Adventist communities was the relative openness and transparency of SHF and a willingness to report the changes in the Adventist press. Don Brooking, the Palmerston North factory manager, reported in *SANCO News* (1996, Vol 28(3), p 8) that the real reasons for the closure would be "known only in the realms above." The statement suggests another set of explanations for the factory closure beyond what was being said in public. Either way, the publishing of such dissent in comparison with the silence associated with the closure of the retail division, was a break from previous practice.

6.5.2.3 Rebalancing SHF Accountability - Vegetarian Food Production

We are the health-food people, yet we have lost the vegetarian market. We have got to get that back. (*Record* - 20/7/1996, p 12)

This frank assessment by Smith demonstrated that another non-financial accountability and stewardship goal of SHF with both symbolic and practical significance for Adventists was under threat. The loss of the vegetarian market challenged a culturally ingrained understanding of SHF's role within Adventism and the wider community (Bull and Lockhart, 1989, pp 130-131). Cereal and soy-milk production are the source of most SHF profits (*Record*, 23/11/1996, p 10), but these products do not define the company's dietary and nutritional mission. If SHF manufactured only cereal and soy milk, the organization's links with the Adventist church would be even more elusive, apart from the fact that the church had legal right to SHF profit. The production of vegetarian foods, even if unprofitable, is essential for aligning SHF with Adventism's core beliefs and practices (*Record* - 17/7/1999, p 49). Reports of SHF's failing in its obligations to produce vegetarian food was a most effective means of alerting the Adventist community to the necessity of restructuring. Church members were made aware that without a strong SHF vegetarian food production, other Adventist institutions would suffer a similar fate as had befallen the Adventist community at Palmerston North.⁴⁴ It is worth noting that the decision to close SHF retail was justified primarily on the basis of SHF's non-financial accountability; the closure of the Palmerston North factory stressed financial accountability.

The ongoing restructure had changed the Adventist health food operation. SHF now had a more professional board and was soon to have its operational activities conducted under the auspices of a separate legal entity the Australian Health and

Nutrition Association, rather than using the Australasian Conference Association, which had to be shared with other Adventist entities. After more than ninety years of being under Adventism's unified salary scale, SHF salaries were now market driven. SHF management, both Adventist and non-Adventists, were now individually rather than cooperatively responsible and required to perform. Adventist communitarianism was decreasing with the closure of key organizations. All of these factors were weakening SHF's traditional non-financial accountability goals. In effect, SHF was transformed into promoting non-sectarian values while facing more pressure than ever from church members to fund Adventism's charitable community and humanitarian activities.

The appointment of a new CEO provided SHF an opportunity to review the directions that had been undertaken under the previous leadership. Keith Jackson, the new CEO, began his appointment by expressing a need to develop stronger links with the SDA church (*Record*, 25/11/2000, p 4) while highlighting a desire for more openness with the general community about SHF ownership and profit use (*The Australian*, 2/8/2002, pp 27-28).

6.5.3 2001-2005 – SHF Financial Accountability - Return to the Past

The five year period 2001-2005 was marked by a high level of entrepreneurship (*Record*, 15/9/2001, pp 8-10) including a preparedness to enter into more complex financial arrangements. The public evidence, while scant, is hidden in the minimal notes provided with the financial statements lodged with the Australian Investment and Securities Commission (ASIC) by the Trustee Company that administers SHF on behalf of the Adventist Church.⁴⁵

The notes showed an increase in liabilities from, \$34 m in 1998 to \$58 m in 1999, with borrowings of \$19m. The amount borrowed increased to \$77 m in 2001 of which \$35 m was labeled interest bearing and classified as current liabilities. In 2002 the majority of the \$35m was converted to non-current liabilities. Reports in the Adventist press gave an impression that SHF operated debt free, however an informant indicated that the Australian company was borrowing from the NZ branch of SHF. While the exact nature of these borrowings is unclear, according to the informant, it was to the overall advantage of SHF as it reduced the income tax payable in New Zealand. The borrowed money was used to fund SHF overseas activities, presumably in the UK and Canada. Other evidence of entrepreneurial activity included an arrangement to supply Dick Smith Foods with cereal and a brief licensing arrangement from 2002-2004 to operate Dick Smith Foods as a subsidiary of SHF (*Record* - 15/6/2002, pp 9-10; 9/10/2004, p 3). SHF's holding in Soyaworld (Canada) increased to 100 per cent in 2003, making SHF the second-largest maker of refrigerated soy milk in North America (*Record* - 18/1/2003, p 3; 9/4/2005, p 13). During this period SHF launched several new cereal products and the first major product extension of market leader Weet-Bix in 75 years (*Record* - 17/1/2004, p 6).

A most significant change during the period was the sale of SHF's specialty food division, despite being linked with Adventism's dietary heritage and SHF's early business success⁴⁶ (*Record* - 31/1/2004, p 5). Waterplus, the product that as part of their reciprocal stewardship, Adventists were asked to help make a commercial success, was sold (*Record*, 16/10/2004, p 7). Most controversial was the decision to provide vege-burgers to McDonalds (*Record*, 9/8/2003, p 4). This initiative showed a

level of sophisticated management and professionalism previously unseen in SHF and was quickly noted in the public media (*The Australian*, 8/2/2001, p 19). SHF's alliance with Dick Smith Foods attracted extensive press coverage across Australia.

⁴⁷ The extensive media coverage highlighted the capacity of SHF to increase its media profile, although in a manner that may be looked upon as a mixed blessing by the Adventist constituency. There's no news like bad news some Adventist members may argue.

An informant noted SHF had become a corporation and “act[ed] like it in many ways” to meet its financial goals. While the above entrepreneurial activity implicitly suggested financial health, there was little explicit confirmation to this effect, and as one informant suggested there was a return to a “church-type” reporting approach in terms of financial information. Church members once again were left uninformed and to make their own interpretations of the SHF initiatives. Reports to church members reverted to the pre-1995 indicators, focusing on financial health built around market leadership, sales, company growth, and activities associated with NES (*Record* - 15/9/2001, pp 8-10; 18/1/2003, p 3; 31/1/2004, p 5; 9/4/2005, pp 12-16; 17/9/2005, p 6). The 2002 financial contribution of SHF to the SPD was exuberant but said little:

It is expected that the South Pacific Division will receive a considerable increase in returns from Sanitarium for this financial year. Controlling costs and providing a greater return to the church is a major goal for Sanitarium's management team. (*Record* - 27/7/2002, p 5)

Record (17/9/2005, p 6) reported that for the five years up to 2005 SHF contributed \$73 million to the SDA church a 30 per cent increase over the previous five years. Apart from that reference, the only other quantitative evidence of SHF profitability was an article in *Record* some five months earlier entitled “Old Company, Young

CEO” (Record, 9/4/2005, pp 12-16)⁴⁸ which reported that SHF contributed “more than \$15 million (US\$12 million) for general church use” in 2004. This was immediately followed with a statement by Laurie Evans the SPD President, regarding the use of SHF funds:

“A significant portion of the division budget comes from Sanitarium every year,” says Evans. “This is important given that we get little by way of base appropriation from the General Conference, so in that sense the company benefits the world church”.

Just what proportion of the Division’s budget comprises SHF profits is not clear. SPD treasurer Brady stated that as much as “80 per cent of [SPD] income is derived from institutions and investments” (*Record*, 17/9/2005, p 4). The problem is that it is not clear whether the one-third rule as outlined in section 6.5.1 still applies, for arguably SHF is now contributing more than one-third of the SPD budget. Reporting on SHF financial accountability has reverted to the type of fragmentary reporting evident prior to 1995. At the same time, interest in SHF’s financial accountability within the general community had increased, particularly after SHF had agreed to become a cereal supplier to Dick Smith Foods. Many journalists (*The Australian*, 7/2/2001, p 23; *The Australian*, 8/2/2001, p 19; *Sun-Herald*, 18/2/2001, p 22; *AFR*, 29/5/2002, p 3; *The Age*, 29/5/2002, p 3) believed that this was the catalyst for Kellogg Pty Ltd. to complain to the Commonwealth government about SHF’s charitable status. The result being increased pressure for a Commonwealth Government inquiry into the “Definition of Charities and Related Organisations.”

Access Economics⁴⁹ was commissioned by Kellogg to prepare a report for the 2001 Inquiry into the “Definition of Charities and related Organisations” and used SHF as a case study. Access Economics argued that the definition of charity should focus on

an entity's activities rather than the purpose of any underlying entity. In so doing Access challenged SHF's non-profit status, arguing that SHF effectively was a commercial entity whose exemption from paying income tax was based solely on its historic ties with the Seventh-day Adventist Church and that SHF's consequent tax treatment was both non-transparent and unaccountable (*Access Economics Report*, 2001, p v). The release of the Access Report generated unparalleled interest in SHF from the media, including television and radio. The interest ranged from probing into SHF profit, the company's ownership, and critically seeking to ascertain for what charitable purposes SHF profits were being directed (*The Australian*, 7/2/2001, p 23; *The Australian*, 8/2/2001, p 19; *Sun-Herald*, 18/2/2001, p 22; *The Australian*, 25/8/2001, p 6; ABC Religious Report, 2001; SBS Report, 2001; ABC 7.30 Report, 2002).

Media interest in SHF's financial accountability required SHF to respond. Pejorative mass media reports on SHF's tax status were troubling enough, but SHF had seen this before. However, what was new and more substantial was the public media's interest in how SHF profit was used, a curiosity that reached into the inner sanctum of Adventism's commercial activities. SHF was poorly positioned to counteract negative publicity. There was little information on how SHF profit was used either in the Adventist or mass media and virtually no-one from either the SHF or the Adventist church were prepared or equipped to deal directly with the associated issues. The only argument that Jackson, SHF's CEO, could mount was that because SHF profits go to the Adventist church for "community support and humanitarian aid programs" the company deserved its non-profit status (*Record*-17/3/2001, p 3; *The Australian*, 2/9/2002, pp 27-28). Jackson failed to answer the question of how SHF

profits were specifically used. Even when the question of the church's use of SHF profits was asked by Adventists themselves in *Record* (21/6/2003, p 8), the response was elusive and far from answering the question, although the use of the term "charitable functions" should not be overlooked:

Australian taxation law requires the Seventh-day Adventist Church (SPD) Ltd to spend or appropriate its major source of income on a range of charitable functions predominately in Australia. However, this allows for use of other church funds outside Australia.

The evidence discussed in the present chapter – drawing on available published Adventist sources and the explanations provided by church authorities - makes it unambiguously clear that SHF profits are distributed to the Church and used to finance Adventist institutions and administrative structures and to support the activities of the Adventist church generally. SHF's statements in the public media indicate that SHF funds are used for unspecified charitable and humanitarian activities (*Sun-Herald*, 18/2/2001, p 22; *The Australian*, 2/9/2002, pp 27-28; SBS Report, 2001). The public interest in the specific use of SHF profits raises hitherto unanswered questions of legitimacy regarding the use of SHF funds. The real question is whether the general community would see such use as a genuine act of charity.

6.6 Conclusion

It is arguable in the context of the sacred-secular debate (Laughlin, 1988, 1990) that in the Adventist economy the *most secular* activities are, in fact, treated as being the *most sacred* and *most secret*. Only the truly initiated have privileged access to information concerning the financial details of the SHF and specifically how company profits are distributed by the church.

Chapters 5 and 6 have shown that the SHF organization has developed its own unique reporting approach on activities that other commercial organizations generally relegate to the margins. Typically commercial organizations are rigorous in reporting on and measuring their financial outcomes to their shareholders and often overlook the societal accounting. The SHF, by contrast, promotes societal accounting as pivotal and only discloses fragments of financial information, which acts to strengthen its broad societal accounting reports.

The chapter has shown that there have been periods of significant financial disclosure in recent decades, especially under the management of CEO Smith. But this openness to financial reporting, for the most part was short lived, carefully choreographed, and with the departure of Smith quietly reverting to its historical pattern of non-disclosure. Church members are reassured that SHF remains an Adventist operation and that God is blessing the Adventist work through its profits. However, the rationalization that the SHF has undergone in the last two decades with the closure of retail outlets and food factories, staff reductions, re-definition of SHF pay structure, employment of more non-Adventist staff, and the adoption of overt managerial practices, suggests that the company may have come adrift from its Adventist moorings and has become a solely commercial operation that in the minds of church members is still associated with its Adventist past.

The matter of how SHF profits are used to support suffering humanity is an essential aspect of SHF accountability and stewardship and is explored in the next chapter.

¹ The source for this comment was an informant who was on the SPD executive for over twenty years.

² SPD Adventists consider that the homeland refer to the economically self-supporting conferences in Australia and New Zealand, which provide funds to support the South Pacific mission field.

³ Andrews' comments are supported by the following Adventist media. *Record* – 2/2/1970, pp 13-16; 7/9/1970, p 37; 15/1/1973, p 16; 30/3/1985, p 4; 7/5/1988, p 10; *Other Sources* - Parr, 1985; Parr and Litster, 1995; SHF Business Review, 1999, p 16.

⁴ Students are also drawn from other parts of the SPD with South Pacific nationals often being subsidised by the church.

⁵ Avondale provides a Nursing Course in association with the Sydney Adventist Hospital.

⁶ A large proportion of Salvation Army charitable assets are due to funding from both government and public donations (Irvine, 1999).

⁷ Refer to - *The Age*, 7/5/1992, p 17; *Business Review Weekly (BRW)*, 29/1/1996, p 82; *The Dominion (Wellington)*, 19/3/1997, p 30; *Australian Financial Review (AFR)*, 14/2/1998, p 32; *NZH*, 13/10/1999, (http://web.lexis-lexis.com/universe/do...&_md5+45c889fcb8de9dd2150db09e1a1047); *The Evening Post*, 14/10/1999, p 14; *The Australian*, 7/2/2001, p 23; *The Australian*, 6/6/2002, M 11; *The Australian*, 2/9/2002, pp 27-28.

⁸ The 25 golden sovereigns have become a symbolic touchstone when discussing SHF funding of Australasian Adventism, as mention in chapter five, section 5.2.

⁹ The General Conference is Adventism highest governing body, located in Washington DC.

¹⁰ Litster's article indicates a figure of A\$750m for cereal turnover. This figure is clearly wrong as the total Australian cereal market at the time of his report was only A\$750m. The Soy Milk figures also could be similarly inflated but there are no independent figures available on SHF share of that market.

¹¹ The following mass media references should be considered illustrative rather than exhaustive.

While references have been categorized it should not be considered that each article's scope is limited to that category. Following sections will return to some of these references. **Tax\Charity** – *Sydney Morning Herald (SMH)*, 28/9/1994, p 17; *BRW*, 13/8/1993, p 62; *The Age*, 28/10/1994, p 14; *The Daily Telegraph*, 15/10/1997, p 51; *The Christchurch Press*, 15/3/1997, p 25; *The Dominion (Wellington)*, 19/3/1997, p 30; *AFR*, 14/2/1998, p 32; *AFR*, 16/4/1998, p 37; *Sun Herald*, 23/8/1998, p 29; *The Australian*, 7/2/2001, p 23; *The Australian*, 8/2/2001, p 19; *Sun Herald*, 18/2/2001, p 22; *The Australian*, 25/8/2001, p 6; *Timaru Herald*, 29/9/2001, p 17; *SMH*, 29/5/2002, p 9; *The Daily Telegraph*, 29/5/2002, p 39; *AFR*, 29/5/2002, p 3; *The Age*, 29/5/2002, p 3; *AFR*, 30/5/2002, p 18; *The Australian*, 2/9/2002, pp 27-28; *The Daily Telegraph*, 30/11/2002, p 38; **Factual Errors** – *The Age*, 4/2/1993, p 17; *SMH*, 5/3/1993, p 19; *Sun Herald*, 18/2/2001, p 22; *Sunday Times*, 24/6/2001 (http://web.lexis-nexis.com/universe/do...&_md5=51bc3c7de717a7adb25f8d0b6ad600); *The Daily Telegraph*, 29/5/2002, p 39; *Manly Daily*, 12/6/2002, (<http://web.lexis-nexis.com/universe/printdo>); **Unique fascination** -*Business Sydney*, 22/6/1998, p 8; *The Australian*, 25/7/1998, p 49; *The Christchurch Press*, 25/4/1998, p 22; *The Daily Telegraph*, 25/4/1998, p 7; *Sunday Star-Times*, 26/4/1998, p 6; *Timaru Herald*, 27/4/1998, p 8; *SMH*, 27/4/1998, p 9; *Newcastle Herald*, 28/4/1998, p 7; **Marketing Success and Market Share** - *AFR*, 8/10/1985, p 39; *AFR*, 6/11/1985, p 41; *BRW*, 6/10/1988, p 116; *BRW*, 23/2/1990, p 80; *BRW*, 15/3/1991, p 78; *The Age*, 4/9/1994, p 25; *SMH*, 11/8/1994, p 32; *AFR*, 5/8/1996, p 24; *AFR*, 6/8/1996, p 33; *The Daily Telegraph*, 5/9/1996, p 8; *The Daily Telegraph*, 6/6/1997, p 46; *BRW*, 20/6/1997, p 76; *AFR*, 16/12/1997, p 26; *BRW*, 30/3/1998, p 80; *The Dominion*, 9/12/1998, p 14; *Retail World*, 30/8/1999, p 19; *AFR*, 23/3/1999, p 35; *BRW*, 10/11/2000, p 100; *The National Business Review*, 4/7/2003, p 23; **Product Development** - *BRW*, 21/8/1987, p 143; *AFR*, 6/12/1989, p 42; *The Daily Telegraph*, 29/10/1997, p 48; **Commercial Property** –*AFR*, 20/9/1989, p 64; *AFR*, 6/8/1990, p 44; *SMH*, 18/2/1997, p 32; *The Australian*, 18/2/1997, p 22; **Secretive** – *The Age*, 7/5/1992, p 17; *BRW*, 29/1/1996, p 82; *The Dominion (Wellington)*, 19/3/1997, p 30; *AFR*, 14/2/1998, p 32; *New Zealand Herald (NZH)*, 13/10/1999, (http://web.lexis-lexis.com/universe/do...&_md5+45c889fcb8de9dd2150db09e1a1047); *The Evening Post*, 14/10/1999, p 14; *The Australian*, 7/2/2001, p 23; *The Australian*, 6/6/2002, M 11; *The Australian*, 2/9/2002, pp 27-28; **Not for Profit** –*BRW*, 28/7/1997, p 76; **Extortion\Recall** – *AFR*, 1/7/1998, p 28; *The Australian*, 1/7/1998, p 3; *The Age*, 1/7/1998, p 1; *AFR*, 29/7/1998, p 23; *Sun-Herald*, 18/2/2001, p 14; *The Daily Telegraph*, 11/4/2001, p 5.

¹² The most extensive recall involved an extortion threat against SHF based on a grievance against the Adventist Church.

¹³ The first two inquiries were “The Industry Commission Inquiry into Charitable Organizations”, in 1994; and “The Inquiry into the Definition of Charities and Related Organizations”, in 2001. Recently (2008) two additional inquiries into the non-profit sector began but have not yet reported, they are being conducted by the Australian Federal Parliament’s Senate Standing Committee on Economics and a concurrent review by the Commonwealth Government’s Treasury Department.

¹⁴ Davenport was an investment scandal that rocked the North American Division of the Adventist church; Harris Pines involved the bankruptcy of a large timber and furniture business operated by the General Conference.

¹⁵ The *Adventist Professional* ceased publication in 1999.

¹⁶ Litster the co-author of SHF’s company history informed the researcher that the actual contribution could never be reliably determined.

¹⁷ SPD executive is the governing body of the Adventist church between quinquennium sessions.

¹⁸ Providing 10% of income as tithe is widely practiced in Adventism. While there is knowledge that tithed collected is distributed according to a formula, there is less information as to its implementation. As Bull and Lockhart (2007, pp 123-24) note, there is a good deal of trust involved in implementing Adventism’s funding formula.

¹⁹ A copy of this in-camera document was supplied to the researcher by a journalist reporting on the Inquiry.

²⁰ A letter from Assistant SPD Secretary Devenish, 18/7/2000, indicated that SHF profits were remitted to the Adventist Church on the basis of a policy driven formula.

²¹ Some editorial informants interviewed indicated their personal lack of financial literacy.

²² SPD has a major administrative session every five years.

²³ Refer to Harrison, (1981, pp 28-36) who made a similar point about the reporting on all Adventist food industries.

²⁴ During the 1986-1990 Quinquennium, SPD executive minutes began reporting the Australian and NZ division of SHF separately due to a legal restructuring.

²⁵ In addition the “Division Administrative Expense Policy” results in SHF carrying a disproportionate share of the total SPD administrative expenses at nearly 50 per cent. The policy divides SPD administrative expenses across Adventist institutions such as SHF, Sydney Adventist Hospital, Avondale College etc. (Executive Minutes – 17/5/1989 – Item 91-35). This information is not widely discussed within the Adventist constituency and is rarely reported in *Record*.

²⁶ SPD executive minutes also provide sales figures and production units but not profit.

²⁷ *Record*, 2/2/1970, p 10; 7/9/1970, p 45; 15/1/1973, p 1; 28/1/1974, p 10; 22/9/1975, pp 38-39; 14/6/1976, p 8; 5/10/1981, p 16; 19/4/1982, p 16; 21/1/1984, p 5; 30/3/1985, p 12; 14/7/1990, p 8; 29/9/1990, p 10; 1/2/1992, p 10; 11/7/1992, p 15; 18/6/1994, p 10.

²⁸ *Record* - 2/2/1970, p 10; 7/9/1970, p 44; 28/1/1974, p 10; 6/1/1975, pp 1-3; 22/9/1975, p 5; 14/6/1976, pp 8-9; 2/7/1983, pp 6-7; 30/3/1985, p 3; 19/7/1986, p 16; 12/9/1987, p 9; 6/2/1988, p 12; 15/7/1989, p 12; 21/7/1990, p 8; 23/9/1995, p 11.

²⁹ *Record* - 22/9/1975, pp 38-39; 8/9/1980, p 5; 5/3/1988, p 9; 23/9/1989, p 9; 14/7/1990, p 8; 29/9/1990, p 12; 13/8/1994, p 7

³⁰ Clearly there would be many reasons including the aging Adventist demographic. Refer to section 5.2.4.

³¹ Refer to Bull and Lockhart’s (1989, 2007) observations of USA Adventist medical institutions.

³² SHF it would be assumed providing approximately 2/3^{rds} of this 50 per cent with returns from investments also being a factor.

³³ Other competitors, Uncle Toby and Kraft operated two factories each (*Record*, 20/7/1996, p11).

³⁴ *Record* - 25/5/1996, p 10; 22/6/1996, p 13; 20/7/1996, pp 6, 11-12; 28/9/1996, p 2, 9; 23/11/1996, pp 10-11; 28/6/1997, p 11; 29/11/1997, p 11; 13/12/1997, p 10; 20/2/1998, p 5; 2/5/1998, p 5; 18/7/1998, p 5; 8/8/1998, p 10; 17/7/1999, pp 6-7; 24/7/1999, pp 6-7; 10/6/2000, pp 4-5; 16/9/2000, p 3.

³⁵ Parr and Litster’s (1995, p 320), company history showed a 1982 photo of 35 Board members many of whom were ex-officio.

³⁶ Smith, (*Record* - 20/7/1996, p 6) questioned the viability of a range of SHF products including peanut butter. SHF had introduced peanut butter to Australia in the late 1800s. For a company obsessed with a sense of history and divine leading, such questioning was revolutionary.

³⁷ This health food company was purchased by SHF in 1997 to complement their snacks, cooking and occasion food business unit. The business was involved in packaging nuts and dried fruit (*Record*, 28/6/1997, p11).

³⁸ The 1997 and 2000 Business Reviews noted that as SHF was a privately owned company there was no obligation to publish financial reports.

³⁹ Based on combining information from 1997 and 1998 Business Reviews, p 4 for both years

⁴⁰ There is no indication of the currency being used.

⁴¹ Like the Hebrews, Adventists consider they are God's chosen people and members of His remnant church.

⁴² The smaller Warburton Factory had largely been staffed by non-SDAs.

⁴³ The opening of Berkley Vale's cereal production was uncharacteristically reported in a most understated manner in *Record* (20/4/1996, p 4).

⁴⁴ An informant from Adventist media indicated that in correspondence with *Record* the area of most concern for Adventist constituents was the ongoing production of vegetarian food.

⁴⁵ SHF as a business entity embedded within the Adventist church is not required to provide reports to the Australian regulator ASIC. However the trustee companies that administer SHF on behalf of the Adventist church do provide reports. All financial reports sighted show nil figures (Refer to Appendix 2). The reports do occasionally include some minimal notes regarding structural changes and information on liabilities.

⁴⁶ A royalty arrangement allows the continued use of the SHF trademark with dried fruit and nuts.

⁴⁷ Refer to - *Food and Pack*, May 2002; *Factory Equipment News*, May 2002; *SMH*, 29/5/2002, p 9; *Illawarra Mercury*, 29/5/2002, p 37; *Herald Sun*, 29/5/2002, p 32; *The Daily Telegraph*, 29/5/2002, p 39; *Cairns Sun*, 29/5/2002, p 22; *AFR.*, 29/5/2002, p 3; *AFR*, 30/5/2002, p 18; *AFR*, 11/4/2003, p 6; *The Age*, 29/5/2002, p 3; *B & T Weekly*, 31/5/2002; *The Australian*, 6/6/2002, p M11; *The Advertiser*, 7/6/2002, p 32; *Manly Daily*, 12/6/2002.

⁴⁸ The article "Old Company, Young CEO" (*Record*, 9/4/2005, pp 12-15), was written for Adventist Review- World Edition which is inserted regularly in *Record*.

⁴⁹ Access Economics is a well known private economic research company based in Canberra, Australia.

Chapter 7

Charity Begins at Home

7.1 Introduction

Not long after the health food industry commenced the Adventist prophethood reminded church members SHF was “God’s gift to his people, and the profits are to be used for the good of suffering humanity everywhere” (White, 1948g, p 128). Church authorities and SHF management regularly remind members that the Adventist organization has been blessed by God through the SHF and do so without presenting detailed reports or calculations of company profits. Church members accept these pronouncements in good faith because the organization is managed by Adventists and company returns are used to support the Adventist work. Only an informed minority of Adventists would have any understanding of SHF’s legal status as a charity, what taxes the company pays, how much profit SHF generates and the causes to which the profit is directed.

Discussion in the mainstream media on SHF’s status as a charity invariably focuses on the non-availability of financial detail, the fact that SHF does not have to pay income tax and the lack of detail as to how profits are used. Access Economics (2001) argues that SHF is non-transparent and unaccountable. SHF’s CEO Jackson adds weight to such criticisms by conceding that SHF does need to demonstrate “greater openness” about ownership and “how its profits are used” (*The Australian*, 2/9/2002, pp 27-28). This chapter explores the public image of SHF through an

analysis of the information available about the organization in the mainstream media. The chapter seeks to better understand SHF's status as a charity.

7.2 Humanitarian Work

In mid 2000 *Record* reported on a "Health and Lifestyle [Fun] Day" held at Bendigo, Victoria. The report made direct links between the Adventist Development and Relief Agency [ADRA]¹ and SHF. It was reported that those links were received enthusiastically by the public, noting that,

The Adventist Development and Relief Agency tent told the humanitarian side of the church's work. Many who visited the display stated they would buy more Sanitarium products now they knew how its profits were being used. (*Record* - 13/5/2000, p 5)

Although lacking the profile of more mainstream religious charitable agencies ADRA's charitable activities have attracted to the Adventist church favourable public comment. ADRA's initiatives in establishing partnerships with major charities such as Red Cross, for example, the establishment of the school breakfast program, further enhanced the credibility of the Adventist organization. Since 2000, SHF has sought to capitalize on ADRA's community profile by associating the commercial activities of SHF with the charitable activities of ADRA. An example of this cross-promotion activity is the SHF sponsorship of high profile Australian cricketer Brett Lee who has helped promote the at-risk youth programs that is conducted by ADRA and supported financially by SHF. SHF also engages ADRA to distribute SHF seconds for charitable purposes (*Record*, 20/1/2001, p 3; 10/2/2001, p 5; 18/1/2002, p 23; 26/4/2003, p 7; 28/8/2004, pp 1, 6; 25/9/2004, p 3). This strategy of linking the activities of SHF with the charitable activities of ADRA has enabled SHF to be even

more direct in promoting itself as a non-profit organization with declarations that it is part of “Australia’s essential charitable sector (SHF Tax Status, 2008)”.²

The Adventist and general community are both interested in SHF’s charitable bona fides, although reasons for this interest vary. For Adventists SHF’s status as a charity arises from Ellen White’s instruction that the profit of SHF should be used for the good of suffering humanity everywhere (*Record*, 29/11/2003, pp 8-9; *Sanco News*, 1987, Vol 18 (4), p 1; 1988, Vol 19 (1), pp 9-11). For the general community, interest in SHF’s charitable status focuses upon the organization’s justification for not paying income tax because it is a charity and upon what the organization does with the profit.³ The report on the Bendigo Fun Day in *Record* (13/5/2000) focused on the fact that the SHF links with ADRA generated a positive impression in the community, adding that it may even generate an increase in SHF sales. However, SHF CEO, Jackson conceded that this type of public affirmation of SHF’s charitable activities was less common and admitted that little was known about SHF and how the organization used the profits (*The Australian*, 2/9/2002, pp 27-28).

However, the Adventist church’s attitudes to humanitarian activities are less easy to define. As highlighted in section 4.5.3 from its pioneer days of late nineteenth century, the Adventist community has embraced two distinct interpretations of what constitutes humanitarian work, differentiated by whether or not the charitable activity served denominational purposes. Ellen White had a strong commitment to promoting the humanitarian cause; however, her vision was very much bounded by a desire to promote the Adventist cause. For Ellen White humanitarianism was about promoting,

...the religious part of the work, the work of providing food for the soul, that is more essential than anything else. (White, 1970, p 77)

Kellogg, by contrast, aspired for Adventists to become known as the world's Good Samaritans. According to Bull and Lockhart:

Kellogg advocated a social gospel 'without sectarian trammels'. He conceived of the church as a benevolent organization and argued that it was 'more important for a man to be a good Samaritan than to be a good theologian'. He wanted to 'rescue souls, not to teach theology', and believed the humanitarian work would win more converts to the Adventist cause than all the church's ministers combined. In the judgment, Kellogg argued, the great question would not be what a person preached, but what he had done to help someone in need. (Bull and Lockhart, 2007, p 304)

Until recent years the humanitarian activities of Adventist organizations have accepted that the *social gospel* was subsumed within the *Adventist gospel* (Morgan, 2001). However, Bull and Lockhart (2007) point out that many USA Adventist hospitals now operate with a non-sectarian, humanitarian and philanthropic vision that approximates Kellogg's outlook. Based on *Record's* (13/5/2000, p 5) account of the public's reaction to the Bendigo Fun Day, it would be reasonable to assume that ADRA was also displaying a non-denominational, non-sectarian and philanthropic vision.

SHF has contributed significantly to the Adventist community and to supporting church infrastructure (Chapter 6). The extent of institutional development in Australasian Adventism that accommodates the needs of Adventist members from cradle to grave to a significant extent is predicated on the support SHF provides to the Adventist community. SHF profits have been used to support Avondale College, the Sydney Adventist Hospital and to resource the missionary endeavors of the church, including infrastructure, in the South Pacific. The Adventist movement has interpreted Ellen White's instruction that SHF profit should be used to support "suffering humanity" as referring to the humanitarian work as undertaken by the

Adventist community. There is considerable room for slippage between the two positions within reports on Adventist charity. Insight into the motivations of SHF humanitarianism can be found by examining SHF's non-financial accountability and stewardship and how the different Adventist visions of humanitarianism can be used to obfuscate the charitable destinations of SHF funds.

Adventist media prior to 2000 made few references to SHF accountability as a disinterested charity. In fact charitable references were rarer than those relating to profit and governance.⁴ SHF's centenary in 1998 provided an opportunity for the company to outline its charitable achievements and traditions, but it did not do so. Instead a report in *Record* (16/5/1998, p 11) noted that SHF celebrated the occasion by working with the Salvation Army to sponsor breakfast for the homeless. Rather than highlight that the Adventist community had a rich heritage of collaboration with the Salvation Army and other social groups focused on assisting the underprivileged, the report pointed to this action as the beginning of a possible new future direction. It is important to note that the SHF business did not become directly involved in Adventist mission projects until 1990, some ninety years after SHF was established (*Record* – 19/1/1990, p 10; 2/5/1992, p 5; 11/12/1993, p 3; 20/1/1996, p 10; *Sanco News* – 1990, Vol 22(3), pp 6-8; 1994, Vol 26(3), pp 4-5; 1995, Vol 27(3), pp 4-5). There is also little evidence of SHFs' direct connection with humanitarian and community activity to be found in the four SHF Business Reviews from 1997 - 2000.

The first two SHF reports made no reference to direct involvement in humanitarian activities nor provided any explanation as to how the Adventist church had used the funds generated by SHF. The 1999 (p 19) SHF Business Review noted,

Primarily, our goal is to return all profit to the Seventh-day Adventist Church for its work in the community. However, with some limited resources Sanitarium has supported a number of charities that directly can affect the community around them.

For the first time in the 1999 and 2000 SHF Business Reviews management indicated that SHF funds were used to support both Adventist *and* non-Adventist community and charitable activities, including sponsorship of the World Vision Kiwi Scholar program,⁵ provision of SHF personnel, food and cash to ADRA, and supporting causes such as the serving of big breakfast, Weet-Bix Kiwi, and Aussie Kids TRY-athlon. The arrangements between SHF and ADRA were described,

as the first step in developing a future strategy of caring for our community in a more direct and fulfilling way. (*SHF Business Review*, 1999, p 19)

Events such as the “big breakfast” were acknowledged as being “primarily promotional” a point that could also be made regarding the sponsorship of TRY-athlon. The real point of these references is that they confirm the exception rather than the rule of SHF humanitarianism. Prior to 2000 there was little evidence provided in either the Adventist media or SHF reports of involvement or use of funds to support non-denominational charitable activities, or ADRA as claimed in the *Record's* report on the Bendigo Fun Day (*Record* – 30/8/1997, pp 3-4; 17/1/1998, p 1; 16/5/1998, p 11; Sanitarium Creating a Future, (undated); *SHF Business Review* 1999, 2000). SHF's non involvement in community humanitarian activities was not coincidental but is indicative of the organization's sectarian heritage and the official Adventist position of subordinating “humanitarian impulse” to Adventism's theological imperatives and increasing church membership (Morgan, 2001, p 165).

Despite the tradition of Kellogg's humanitarianism, Adventists are not known for their selfless giving according to Malcolm Brown a journalist⁶ interviewed by the

editor of *Record*. Adventist benevolence overwhelmingly focuses on a mission of salvation by providing humanity with spiritual food rather than by providing for their material needs (*Record*- 3/10/1987, p 6). A 1998 survey of church members revealed that Adventists generally confine their charitable giving to their own community (*Record* – 18/7/1998, pp 6-7). The Adventist church continues to be engaged in charitable activities through its own agencies - ADRA and its forerunners - however the motivation for this activity still grows out of soteriological principles, in other words, primarily out of a desire to convert people. The church has in the past operated Salvation Army-like social reform programs, like the Chicago Mission at the turn of the Century. However these are the exception and not the rule and it is only in recent times that independent social activity has been considered (*Record* – 24/1/1998, p 12; Morgan, 2001) (eg: the school breakfast program with the Red Cross and ADRA's youth suicide and support program). For the most part, if Adventists used terms like “community” and “humanitarian” in relation to SHF, these terms carry specific Adventist connotations. The following quotes from two Adventist leaders are a case in point. Parr, a former editor of *Record*, church pastor and author of SHF history writes:

Apart from providing the public of Australia and New Zealand with health food, the Sanitarium Health Food Company benefits the whole community by providing funds which strongly support the medical, educational and humanitarian and institutional work of the Australasian Seventh-day Adventist Church. (Parr, 1985, p 45)

Evans, as President of SPD and also Chair of the SHF Board writes,

Since the commencement of the Company its profits have been channeled through to various community projects of its owners – the Seventh-day Adventist Church. (*Sanitarium, Celebrating 100 years – 1998*, p 2)

Parr and Evans affirm that SHF contributes to the “community” by directing funds to the Adventist Church. Evans estimated a sum equivalent to \$3 billion dollars in

today's terms had been directed to community projects through the Adventist Church, due to SHF's operations over 100 years of operations. Brown, a church pastor and a respected spokesperson considered that SHF profit had been used in accordance with Ellen White's instructions to relieve "suffering humanity" (*Record* – 29/11/2003, pp 8-9). It is clear from such comments that SHF profits are directed to supporting Adventism's own brand of humanitarianism by funding Adventist medical, educational and administrative functions. There are reports that these funds were also used to support Adventist evangelistic endeavors (*Record* - 8/10/1998, pp 12-13). These examples are typical of references to the use of SHF funds. More importantly they reveal that the terms like "humanitarian" and "community" are used loosely and can refer to any activity that is Adventist.

Apart from Chapman's 1936 report (Appendix 4) which can only be accessed publicly in SHF and Adventist archives, there is little detailed information regarding the specific Adventist activities that SHF profits are used to support. In its 1994 in-camera submission to an Industry Commission "Inquiry into Charitable Organizations"⁷ Church leaders indicated that while 100 per cent of SHF earnings ultimately get returned to the church, 50 per cent is channeled to the SHF for capital work, with the other 50 per cent being distributed to Adventist activities in accordance with SPD division policy (p 18). In their submission (pp 18-21) church leaders noted that three Adventist institutions are the primary beneficiaries of SHF funding: the Sydney Adventist Hospital, Avondale College and Adventist Retirement Homes.

In an SBS Report (2001) concerning the 2001 Commonwealth inquiry “Into the Definition of Charities”, Rodney Brady, SPD Treasurer, indicated that Adventists are not required by law to report on SHF or to declare how profits are used. Brady explained that if SHF was required to report on these activities, the organization would adjust their current approaches to conform to legal requirements. Seven years later and in response to yet another government inquiry into charities and not-for-profit sector, in an interview with ABC national radio religious report (ABC Religious Report, 2008), Rod Brady maintained that there was no “cause and effect” relationship between SHF profits and their charitable use within the Adventist budgetary process. Brady explained that SHF profit was treated as church income and distributed across a range of church activities. In essence, Brady has made public the fact that within the SPD of the Adventist church’s budget, SHF profit is consolidated and then used to support the charitable activities of the church. However, there is also evidence that the use of SHF funds by the Adventist church is less ad-hoc than Brady’s statements imply.

In a letter dated 18 July 2000 requesting access to the SPD executive minutes to assist with the present study, the response from the Assistant Secretary of the SPD explained that SHF funds are remitted to the Adventist Church on the basis of a Division Policy *formula* (Devenish, 18/7/2000), an admission that suggests the annual distribution of SHF profits which may amount to tens of millions of dollars was more systematic and planned than Brady implies. The 1936 Chapman Report (Appendix 4), discussed in Chapter 6, spelt out in detail the allocation of SHF funds, and the Adventist church’s submission to the 1994 “Industry Commissions Inquiry into Charitable Organisations” provide further evidence that the distribution of SHF

profits was not haphazard but planned and coordinated. In an unprecedented departure from previous practice regarding a systematic approach to SHF profit, the organization published a flyer titled *Sanitarium Creating a Healthy Future* in which it revealed details of how SHF funds of approximately 6.8 million dollars were allocated to a variety of causes in the 1995 South Pacific Division budget. Figure 7.1 presents a summary of how the division of SHF profits and what projects were supported during 1995.

Figure 7.1 - **Summary of Specific Financial Contributions – 1995⁸**

Project	Recipient	\$ Amount
Base Appropriations	Union Missions	1,250,000
Base Appropriations	Pacific Adventist College	400,000
Base Appropriations	Expatriate Missionary Support	2,000,000
Base Appropriations	Aboriginal/Torres Strait	60,000
Base Appropriations	Adventist Media Centre	200,000
Base Appropriations	Avondale College	789,100
Special Appropriations		
Faculty Duplex	Pacific Adventist College	29,798
Student Housing	Pacific Adventist College	87,000
Evangelism	Central Pacific Union Mission	20,000
Betikama High School	Western Pacific Union Mission	24,000
Kauma Water Tanks	Western Pacific Union Mission	5,900
General Projects	Total Island Field	145,000
Avondale College		250,000
Warburton Health Care Centre		600,000
Building Program		
North New South Wales Camp		50,000
Accommodation		
Evangelism		315,000
General Projects	Homeland	420,000
Global Mission Fund		180,000
Total		6,825,798

The allocations in Figure 7.1 present a rare glimpse into the use of SHF surplus funds. The report indicates that the distribution of SHF funds can be divided into five broad categories. First, almost two million dollars, or 30 per cent of the SHF funds

were directed at supporting Adventist mission activities. The church's fastest growth is in the Pacific islands; however, the figures indicate that the Adventist mission work very much relies on the financial support from the SPD or "homeland."

If the additional two million dollars earmarked to support expatriate missionaries is included, then more than 58 per cent of SHF funds are directed to supporting the administration of Adventist mission operations in the South Pacific. Second, Figure 7.1 reveals that in 1995 approximately 19 per cent of SHF profits were used to support Avondale College, the key Adventist tertiary institution in the South Pacific Division. Avondale is critical to the supply of Adventist ministers, teachers and administrators and is vital to meeting Adventism's labour needs. Third, the report indicates that SHF funds played a key role in supporting the building program of Adventist health institutions like the Warburton Health Care Centre. Fourth, SHF profits are used to subsidise a host of other church operations, including the provision of accommodation facilities at the North New South Wales Conference convention centre, and \$420,000 to "general projects" in the "Homeland". Finally, Figure 7.1 discloses that almost half a million dollars are allocated to funding Adventist evangelism and other outreach activities. The figures reveal that the primary, and possibly only criteria for determining the allocation of SHF funds is the fact that the activity or institution is Adventist. It is significant that in 1995 no allocation from SHF profit was made to ADRA or any other disinterested charity.

Despite some informants in the present study indicating that it was not possible to determine how SHF funds are allocated in the SPD budget, the information provided reveals a formal reporting process of budget allocation that does not differentiate

sources of funding or types of projects. The allocation certainly was available to an inner coterie of Adventist administrators but not widely publicized. Figure 7.1 confirms that SHF funds were indeed directed at supporting humanitarian projects - Adventism's own brand of humanitarianism that consisted of supporting a blend of Adventist administration activities and outreach.

7.3 Purpose-Based vs Activity-Based Charity

Chapters 5 and 6 drew attention to the fact that SHF had adopted a more professional and corporate approach to its operation and a corollary of the new managerialism was the decision to use media to promote the SHF brand. In this new media-constructed image, the company's formal links with the Adventist church were played down and SHF was presented as an independent organization. In this media-constructed image the company's primary accountability function was to provide funds for unspecified charitable purposes.

However the modernized version of SHF humanitarian activity became a marketing exercise, as was the case of SHF's involvement in the Bendigo Fun Day. Indeed, the SHF company was presented in the public media as an organization closely aligned with a host of community and sporting activities, including TRY-athalons, sponsorship of the New Zealand World Vision and the ADRA New Day Foundation a joint initiative between SHF, ADRA and cricketers Brett and Shane Lee.⁹

The 2001 submission by Access Economics¹⁰ to the Charities Inquiry highlighted the lack of transparency and accountability regarding SHF's charitable activity. The submission went further arguing that due to the scale and size of its commercial

activity that SHF should be subject to an activity based definition of charity rather than the current purpose based definition which follows from the all-or-nothing approach of common law. Under the current arrangements charitable organizations are defined according to their primary operating purposes. Under this classification, other non-charitable activities by the same organizations, including commercial operations, are overlooked. The advantage of a purpose based definition of a charity is that once charitable status is granted all eligible entities are treated in a uniform manner in regard to available concessions and compliance requirements. The status quo of a purpose based definition is generally supported by the charitable sector and clearly by the Adventist church for it allows the business entity of SHF to operate under the religious and charitable purposes of the Adventist church.

By contrast, an activities based definition would remove the current uniform treatment of designated charities by requiring them to separate charitable activities from their non-charitable activities, particularly commercial activities. The advantage of activities based definition is that it minimizes anomalies, makes the activities transparent and makes it possible to target government tax concessions more specifically. Access Economics is advocating the introduction of an approach that makes it possible for commercial activities of entities such as SHF to be separated off from their charitable, religious and community activities. This attack on SHF's charitable credentials provoked unprecedented public interest in SHF's charitable accountability and stewardship. It drew attention to the paucity of detail provided on the use of SHF profits. The publicity provided a challenge to SHF to modernise its public image as a charity. ¹¹

While the popular press focused on how SHF's charitable status enabled the company to avoid paying income tax, SHF was attracting more serious analyses, including the Australian Broadcasting Commission's Radio National's "Religion Report" (ABC Religious Report, 2001). Francis Sullivan, the Executive Director of Catholic Health Australia argued against the Access report's activity-based charity definition by noting that the purpose-based definition more appropriately reflected charitable motivation. While supporting SHF's right to make money for charity, Sullivan's argument also accepted that there had to be a continuum between purpose and activity, which was akin to the saying that, "By their fruits you will know them" (noting that)... you first need to grow the fruit". The analogy was familiar to Adventists who, as God's self proclaimed remnant, constantly test biblical truth and lifestyle according to their fruits. The SHF and Adventist church while strongly supporting their right to grow charitable fruit had difficulty in specifying how once grown it was to be charitably dispensed. According to one informant, the inability of either SHF or the church to disclose the use of profits was because both the SHF and the Adventist church were bound to a legal definition of charity. Church leaders arrived at their own definition of charity quite separate from how the notion of charity was understood in the community. While the information was available, SHF reportedly was unable to explain the fact that most SHF funds were being used to support Adventist self-interest. The Adventist definition of charity was legal under the current charitable arrangements but did not sit well with the moral and general community view that the fruits of charity should be disinterested. The initial SHF response to these criticisms was to reject the Access report in the time honored manner by noting that *all* SHF profits "go to support the humanitarian aid programs through its owners, the Seventh-day Adventist Church" (*Record* 17/3/2001, p 3).

Submissions to the Charities Inquiry from religious groups were online including the Jehovah's Witnesses. The Adventist submission, by contrast, was in camera.¹² The report in *Record* sought to reassure church members that SHF funds were used for humanitarian purposes, but did not deal with the self-evident fact that some of SHF profits must be reinvested in SHF operations. The public media however did focus on the issue of reinvestment and other matters concerning the use of SHF profit. Brady, the SPD Treasurer, affirmed on the ABC's 7.30 pm report that all SHF profits were used to help complement Adventism's vast "welfare, educational and health work". On SBS's Insight program, after being reminded that in its 1994 submission to Industry Commission inquiry church leaders reported that 50 per cent of SHF profits were returned for capital works, Brady replied that he could not remember in a "reliable way" the exact percentage, adding that the contribution "varies from year to year" and that "it is a minor portion of [SHF] earnings". When asked about the Adventist church's obligation to reveal details of how SHF profits were spent, Brady explained that the SHF contribution was used to support "a whole range of diverse activities" and it was not possible for such information to be "presented as one document". Brady noted that Adventists would "need to adjust (their) reporting to do that" (SBS Report, 2001; ABC 7.30 Report, 2002).

The budget information on how SHF funds are used by the church is available according to two informants who served as SHF and church accountants. They explained that available systems make it possible for reports on the use of SHF funds to be prepared. According to these informants, church officials deliberately chose not to reveal this information. The view that SHF funds go into a consolidated "black

hole” as reported by another informant is arguably a reflection of SHF’s public reporting practices and not the SHF and Adventist church’s internal accounting systems. Nor does Brady’s inability to provide a reasonable estimate of profit reinvested into the SHF reflect the reality of the Adventist budgetary processes that are recognised as being driven by policy and formula (Bull and Lockhart, 1989, 2007). The statement that the transfer of funds between the SPD and SHF constitute a “minor portion” of SHF profits also is difficult to reconcile with the available information, including reports in *The Australian* (2/9/2002, pp 27-28) that NES was funded from profits returned to SHF and announcement in *Record* (20/11/2004, p 7) that the SPD was responsible for a 13 million dollar expansion of the SHF warehouse at Berkley Vale. A more accurate view may have been expressed in the *New Zealand Herald*, (13/10/1999)¹³ by SHF spokesperson Jim Richards who reported that “less than half [of the profits] go back to company for development,” a figure that is consistent with the 1994 Industry Commission submission.

Due to borrowing limits imposed on SHF, capital expansion often required a transfer of funds between the SPD and SHF as a form of internal borrowing. The SHF investment in Berkley Vale, for instance, was funded by using an index to cap the available fund flow from SHF to SPD for an agreed period (Sighted SPD executive minutes, 7/11/1990, Meeting 014, p 10). The evidence provided thus far indicates a discrepancy between statements made in mainstream media by church authorities and SHF leaders regarding the funding of SHF capital and available budgetary information. Brady’s claim that SHF funds are used for “welfare, educational and health purposes,” is open to challenge. The assertion that SHF funds are linked to welfare activity presumably refers to ADRA. However the funding allocated to

Adventist agencies such as Services for the Blind and Hearing Impaired and Aboriginal and Torres Strait Islanders are relatively small as indicated in Figure 7.1. In the course of the present study, no evidence has been sighted in any Adventist media that makes a direct budgetary link between SHF and ADRA. The only direct link is a report in *The Australian* (2/9/2002, pp 27-28) citing ADRA as one example of how the Adventist church uses SHF funds. Up until the report in *Record* of the 2003 SPD budget¹⁴ ADRA was not mentioned separately as a line item nor featured in any narrative regarding SHF profits. This is not to say that the SPD budget did not provide funds to ADRA. They may have done so, but may not have considered it sufficiently significant to draw attention to it. An informant close to the ADRA operation indicated that the main direct link between ADRA and SHF is the New Day Foundation. As for any link between SHF funds and ADRA via the SPD budget the informant explained:

The church puts in a certain amount of funding, it funds my position entirely. It funds the appeal ... I think [??] may have said at some stage, that [SHF] money comes to ADRA on a regular basis and supports the appeal and then the appeal funds a whole lot more ... but then I don't know how much they get, I really don't. It could be a million dollars, you know, we are just not given that level of information.

This comment illustrates the general ignorance both inside and outside of the Adventist church regarding how SHF funds are used. It also indicates that even those close to ADRA are not privy to information relating to whether SHF funds are used to support Adventism's flagship charity.

Despite an ongoing problem of not being able to identify any specific details regarding SHF's contributions to charity, the company has continued with its endeavours to modify its image as a non-profit organization. This determination was

reinforced by two factors. The first was the release of the Charities Commission report in August 2001 (*Charitable Definition Inquiry*, 2001). While the report confirmed the existing common law definition of charity, a definition that was based on purpose rather than activity, it also raised concerns for SHF and the Adventist church over how the recommendation to codify the common law into statute would be implemented. The second event was the licensing arrangement with Dick Smith Food (DSF) in May 2002. In combination with the interest generated by the Charities Commission the link with Dick Smith Food reignited media interest in SHF's non-profit status.

Kevin Jackson, SHF CEO, gave two interviews in response to questions about SHF: one with *The Australian* (2/9/2002, pp 27-28) and the other with the *Record* (22/9/2001, p 5) directed at the church members. Both are revealing and make essential reading in understanding the changing image of SHF's charitable accountability and stewardship. In the *Australian* interview, Jackson acknowledged that SHF had been quiet about its links with the Adventist church, but that he "wants to stop this reticence, saying it could lead to misunderstanding of the brand." He noted that SHF's charitable mission needs to be better understood and with "greater openness about Sanitarium's ownership and how its profits are used." Jackson pointed out that he had no control over how SHF's money was spent and while the Adventist church does not give details on such matters, the report in *The Australian* noted that during 2000 SHF contributed \$3.3 million to ADRA, \$3.4 million to Nutritional Education Service and \$400,000 to Aboriginal and Torres Strait Islanders, with SHF getting a "little back" for its own capital use.

The 2002 interview with *The Australian* was significant: this was the first public release of information relating to the use of SHF funds since 1995. Jackson's aim in the interview was to portray the charitable use of SHF's profit as being broadly in line with community expectations. SHF's contribution to ADRA may have surprised some Adventists because ADRA previously did not feature in SPD budgets (*Record* - 27/1/2001, p 4; 15/6/2002, p 7). The report in *The Australian* is also the first time that NES is portrayed as a charitable activity; to church members as shown in Chapter 5, NES was represented as SHF's evangelistic arm. The available evidence indicates that NES does operate largely in a non-sectarian manner even though the unit is not promoted as a charitable organization nor has there ever been any link between NES and the SPD budget.¹⁵ However, its inclusion serves to exacerbate the difficulty of separating philanthropic and altruistic interests from SHF's marketing and self-promotion activities.

It is worth noting that Jackson said a partial truth by suggesting he had "no control" over the use of SHF money. The issue is not about the control of funds that lies with the Adventist church. The issue is whether Jackson has knowledge of *how* SHF funds are spent. His response suggests that he was well informed in these matters.

Notwithstanding his stated desire of releasing more detail regarding the distribution of SHF profits, not only has that not been done but under Jackson as CEO, SHF's financial accountability has reverted to its previous tradition, with even less financial detail being disclosed relative to any prior period examined. Jackson's comments in *The Australian* merely serve to reinforce the view that SHF was reticent about being publicly associated with the Adventist church, particularly since the retail closure.

The increased public interest in SHF may account for not disclosing detail regarding

SHF profits. Certainly the additional information would serve to further intensify media interest in SHF's financial accountability and charitable credentials and the need for the financials to be more robustly and honestly explained. One informant suggested perhaps that would be most easily done by SHF becoming a commercial organization which would put its financial affairs on the public record.

Jackson's interview printed in the *Record* (22/9/2001, p 5) by contrast was directed at the Adventist constituency. The interview communicated information considered important by the members but in a manner that simultaneously reassured them of God's leading and God's blessing through the SHF. In the *Record* Jackson highlighted that SHF's charitable status rested upon it operating as a *department* of the Adventist church with 100 per cent of SHF profits being used by the church for "community support ... and humanitarian aid." Jackson focused on spelling out the non-financial accountability and stewardship of the organization. He noted that SHF was contributing to the church's health message by producing appropriate dietary food in accordance with the Adventist church's mission. Jackson emphasized that SHF was not just another commercial company but was fundamentally different to its competitors. Jackson explained,

[Our] competitors aim is to make money; our number-one aim is to improve people's lives. Sanitarium's primary purpose is charitable, and that philosophy has not changed in its 103-year history in the marketplace.

Jackson's claim that SHF is fundamentally different from its competitors by virtue of its primary motivation to change people's lives emphasizes the moral rather than legal claims SHF has to be a charity. Jackson's admission in *The Australian* that SHF is reticent about being linked to the Adventist church contrasts with his message to church members that SHF was different because of the links with the church. While

SHF's non-sectarian outlook provides the basis for a morally motivated charity, any argument that SHF is philosophically different from its competitors assumes that the organization's financial accountability also is non-sectarian. The fact that in recent times there has been a greater emphasis on the financial performance of SHF accountability makes it difficult for the organization to argue that the SHF is essentially different from its competitors. While the Adventist church is legally entitled to use SHF profit to pursue self-interest, arguably charitable supported self-interest is little different from commercially supported self-interest. Only a disinterested use of profits makes an organization a credible charity and provides SHF with the philosophical distinction it seeks from competitors. It is for these reasons that the SBS reporter reminded SPD treasurer that while there maybe no legal obligation to provide details on the use of SHF profit that there is a "moral obligation...to tell the taxpayer...where exactly that money is going" (SBS Report, 2001).

It was not until 2003 that SPD for the first time presented both an incorporated and unincorporated budget to the Adventist community that contained reference to SHF funds (*Record*, 21/6/2003, pp 8-9). This report included the rhetorical question, "What does the church do with money it receives from the Sanitarium Health Food Company?" The response to this question was not detailed but it did acknowledge that Australian tax law requires the church to spend most of SHF funds in Australia but that this allowed other funds to be used outside Australia.

At the same time an amount of \$2.29 million was reported as being allocated to ADRA as a line item in the SPD budget. This was the first time that a link between

the SPD budget and ADRA had been reported in *Record*. While no link was made between this allocation and SHF, the figure represented approximately 15 per cent of SHF's 2002 reported profits. A similar amount was allocated in the 2004 SPD budget, which in this instance included a note that indicated that these funds were to be used to support ADRA's administrative costs (*Record*, 20/11/2004, p3). The use of SPD funds to support ADRA administration is consistent with an informant who indicated that SHF funds were used to underwrite the ADRA appeal.¹⁶ If this were the case then unaccountable tax free SHF profit was being used to help underwrite and administer a public appeal that required and was accounted for with strict public accountability.

SHF certainly has sought to establish links with charity organizations from which as one informant indicated it would get "more bang for its buck". It established links with ADRA through the New Day Foundation. SHF entered a partnership with Red Cross to support the Good Start Breakfast Club, an arrangement based on an initial investment of \$175,000 with an ongoing investment of \$84,000 of product (retail value) over four years (SHF Web 1). While the financial commitment was not large it represented a significant change to the \$20,000 reported in the 2000 Business Report. SHF management began to support staff involvement in community activities and events. SHF mission statement was edited to read that SHF believes "that good business is based on trust, respect and community involvement (SHF Web 2)." Employees are now involved in a range of community events partly sponsored by SHF including fun runs, walk against want for Community Aid, sponsorship and help for single mothers, and women's shelters. A \$50,000 donation was made to the

ADRA's Tsunami appeal matching funds from staff (*Record* – 17/8/2002, p 3; 10/7/2004, p 4; 5/2/2005, p 5; 12/2/2005, p 2).

Prior to 2000 there was little evidence that SHF promoted itself as a charity, thus self generated claims during the period under study that SHF is a charitable operation represents a significant change in focus. This change in focus has occurred in the context of a growing public debate prompted by government inquiries into the charitable sector. SHF leadership and church authorities responded to critics by defending the continuance of a purpose-based understanding of charitable activity that allows SHF to operate as a department of the Adventist church. While this gives the Adventist church legal entitlement to SHF profit, there is evidence of an acceptance by SHF management of a need to project a charitable image based on moral rather than legal claims. Establishing an image of SHF as a charity established on moral grounds is difficult to achieve and requires a more concerted strategy of directing profits to humanitarian activities and at the same time re-defining how church members view SHF.

7.4 Adventist Charity

SHF's 2002 arrangements with Dick Smith Foods (DSF) provided SHF with a unique opportunity to change its public image as a charity. DSF had been nominated in 2001 as Australian's most socially responsible company for its charitable activity supporting numerous charities, including Mission Australia, Care Australia, Salvation Army, Smith Family amongst others. SHF was keen to stress the philosophical and philanthropic links between the two organizations.¹⁷ In the spirit of the new arrangement with DSF, SHF announced that it was,

looking to break a century of reticence about its link with the church and its charities ... [and] planning to communicate the ideals of the business and its charitable operations to the public as part of a new five-to-ten year strategy. (*The Australian*, 6/6/2002, p M11)

DSF had capitalised on its disinterested charitable credentials as a successful marketing tool. After over 100 years of operation, SHF management admitted that “consumers [were still] under misapprehensions about Sanitarium because the company has been quiet about its charitable mission”. Unlike Dick Smith Foods, SHF could not draw on a tradition of disinterested charitable activity as part of its marketing strategy. In addition SHF faced a potentially negative market reaction to any perception that company profit was being used by the Adventist church to support sectarian activities. SHF thus began to search for ways to inform the community of their disinterested charitable activities. SHF advertising featured in the *Herald Sun* (11/3/2005, p 92) is an example of SHF’s public relations initiative. With large headlines titled “Profits go to charities and communities” the *Herald Sun* feature stated openly that SHF was owned by the SDA church and was committed to supporting Adventist community programs and charities such as the Good Start Breakfast Program with the Red Cross and Weet-Bix TRY-athlon. Charitable activities funded by SHF included,

counseling and support for families in crisis, services for the blind, programs to stop smoking, and Aboriginal and Torres Strait islands community health and education.

All of these charities were owned and operated by the Adventist church. In an associated article it was claimed that “Sanitarium has its own aid agency [ADRA].” The advertisements confirm that SHF was seeking to redefine its charitable image while not ignoring its Adventist links. However this type of marketing is unsustainable without providing more detail to support the claims that are made. The evidence examined thus far suggests that only a small proportion of SHF profits are

used for the charitable purposes outlined and that some of the activities that SHF underwrites, including the Weet-Bix TRY-athon, are forms of self-promotion and not charities.

Claims by SHF management that profit is used to support disinterested charitable activities typically contain scant financial detail. In addition there are no regular reports in the Adventist media to substantiate such claims. ADRA the Adventist aid agency belongs to the Adventist church and receives most of its funding from donations, government and ADRA's own fund raising activities. While as one informant close to ADRA indicated SHF funds are made available to ADRA, the exact amounts and detail are not widely known. SHF has sought to change its public image as a charity by using interviews in the public media, advertising campaigns and use of the web, however the greatest limitations to these endeavours and the reason why the company still falls short of persuading the public is due to a reluctance to disclose details of how SHF funds are used (*The Australian*, 7/2/2001, p 23, *The Australian*, 8/2/2001, p 19; *Sun-Herald*, 18/2/2001, p 22; *The Australian*, 25/8/2001, p 6).¹⁸

Despite SHF's changing mission statement (*Record* 17/9/2005, p 6), engaging an advertising agency and adopting slogans to draw attention to its charitable activities, the reality is that most SHF profits are used to support Adventist institutions and administrative structures.¹⁹ In his submission on the drafting of the 2003 *Charities Bill* SPD Treasurer Brady sought to explain the Adventist position on charity (Appendix 3). While Brady's submission was aimed at protecting SHF's status as a charity, the submission created its own problems particularly by redefining key

concepts such as “altruism”. The submission emphasized that altruism had to be practical and should not be thought of as “excluding oneself”. Brady argued that such an interpretation of the concept is consistent with the Gospel injunction, “to love thy neighbour as *thyself*” (sic). Brady explained:

We are not called to despise ourselves or ignore our immediate neighbours – on the contrary, our charity should start from within and radiate to all ... Private charity has often begun at home (a profession of love for humanity coupled with a disregard of the needs of those closer might well be regarded as cant or humbug). (p 7)

Brady’s interpretation effectively captures the essence of the Adventist church’s use of SHF funds. In the Adventist worldview, Brady explained, the needs of “suffering humanity” are most fully met by responding to the needs of the Adventist church (*Record* - 29/11/2003, pp 8-9).

Brady’s definition of “altruism” and “charity” allows the Adventist church to employ self-interest in its management of SHF profits. By inverting Jesus’s instruction to “love your neighbour as yourself” (Matthew 19:19), Brady effectively has sought to justify a practice of charitable spending that directs funds to supporting the organization doing the charitable *work* and indirectly supporting those in need of charity. Implicit in Brady’s explanation is an elevated notion of the Adventist organization that captures the very essence of Adventist sectarianism – the belief that the Adventist community is God’s designated means for saving the world. It is worth pointing out that in the higher echelons of Adventist bureaucracy church pastors manage the distribution of finances, while in this instance the pastors are overlooked and it is Brady the accountant who defines charity.

Public concern over concessions granted to commercial operations such as SHF have forced SHF management and Adventist authorities to consider the public perception of SHF's charitable credentials despite long standing Adventist claims that SHF profits are used to support suffering humanity. SHF management has endeavoured to promote an image of SHF as the provider of disinterested charity. At the same time SPD treasurer Brady's submission to the drafting committee of the 2003 *Charities Bill*, pragmatically argued for a position that would allow SHF funds to continue to support Adventist self-interest.²⁰

7.5 Managing Public Perceptions of SHF

SHF's public relations activities have been directing at fending questions, criticism and concerns on two fronts: providing answers to the wider public regarding the status of SHF as a charitable organization and the organization's tax-free status and addressing the concerns of church members. Brady's submission to the draft 2003 *Charities Bill* is not common knowledge to the Adventist membership. It is possible that its sentiments would have been endorsed by some Adventist members reflecting the high trust environment within which SHF operates. However, it would have potentially dismayed others, particularly professional and academic Adventists who supported the aims and objectives of quasi Adventist publications such as *Spectrum and Adventist Professional*. As shown in sections 4.6.1, 4.6.2, and section 6.4, within sections of Adventist laity there are concerns regarding Adventist accountability and governance practices. Brady's submission would arguably have raised concerns from this lay group about the need for more openness and clarification on the church's position on charity while also addressing the wider community questions on how

SHF profits are used (Harrison, 1981; *Adventist Professional* - 1995, Vol 7(1); 1996, Vol 8 (1); 1999, Vol 11(1)).

The most common reason used in the Adventist media for SHF not providing financial details is that SHF is a private company and is not obligated to provide reports and that this approach also protects commercially sensitive information from competitors. The arguments, however, ignore any moral obligation to inform the Adventist constituency or demonstrate SHF's charitable activities (*SHF Business Review*, 2000, p 20, *Record*, 29/11/2003, pp 8-9; Harrison, 1981). The in-camera submissions to two government inquiries by the Adventist church were in sharp contrast to the open submissions made by most other religious groups. While there have been calls to improve Adventism's accountability in both *Record* (18/10/1986, pp 6-7) and *Adventist Professional* (1996 Vol 8(1), pp 22-26), these calls have not been heeded. Landa, a leading Adventist theologian, argued that Adventist leaders often see themselves as being less accountable than secular leaders because they view themselves as being:

God's spokespersons ... Just as [God] doesn't have to justify Himself, so we too, by extension, would like to see ourselves immune from accountability. It is easy to forget that trust cannot be demanded on the basis of the position we hold – rather it has to be earned on the basis of integrity and efficiency we bring to the task. (*Adventist Professional*, 1996, Vol 8(1), pp 22-26)

Informants provided a range of reasons as to why SHF does not provide details on its financial accountability. These reasons typically revolved around the issue of church leadership.

One group of informants supported the current church governance arrangements arguing that the church is not democratic and that because church leaders are

appointed by God they should not be hamstrung by secular considerations. Other informants, whose views were sympathetic to Landa, considered that the default position of church governance should be openness and transparency. The majority of informants in this study were sympathetic to Landa's position; there were a minority who strongly defended the current arrangements. In view of the fact that Adventist bureaucratic and formal structures are dominated by Adventist pastors it would be anticipated that most laity would passively accept the explanations of church leaders even though they may not be convinced of their merits (Theobald, 1979).

Only a minority of informants in the present study considered that having to read between the lines on SHF financial accountability had advantages and endorsed the current reporting arrangements. They considered financial reporting at a church level is a matter of trust and that formal reporting could lead to sensitive information being misunderstood and misinterpreted by the Adventist constituency. One informant indicated that if church members were given detailed financial information on SHF they would focus on SHF expenditures rather than seeking to understand the context of the reports. Another informant who was experienced in both SHF management and local church finances explained that "church members typically do not understand financial reports" and that presenting less information to church members would generate less misunderstanding. A fact also highlighted by SPD treasurer Brady:

It has been a challenge to meet accounting standards and then be able to report to members in a way that can be easily understood. (*Record*, 17/12/2005, p 5)

Despite personally wanting more information, some informants indicated that there was no pressure from within the Adventist constituency for this to occur.

By contrast, a majority of those interviewed considered that change to SHF financial reporting would eventually come due to the social pressure for charities such as SHF to report more fully. Even a supporter of the current arrangements indicated that SHF eventually will be obliged to reflect the reporting practices of society. Another informant did not believe that the SHF would ever change its financial reporting voluntarily, stating that the only way that the Adventist organization would change SHF reporting would be for the government to legislate, as had occurred before Adventist organizations formally adopted an Occupational, Health and Safety policy.

A supporter of minimal reporting indicated that if an Adventist really wanted to know anything about SHF there were ways of finding these things out. This informant was concerned that if the information was freely available it could be used by competitors to SHF's disadvantage. The same informant was also concerned about the media's handling of sensitive financial information, drawing an analogy with how the sexual abuse of children by Catholic priests has been reported by the mainstream media. Other informants considered the above argument specious, noting that competitors already know a great deal about SHF from sources such as A.C Neilsen.²¹ These same interviewees noted that SHF's apprehension about open reporting stemmed from the company's links with the Adventist church and how Adventists perceived their role in relation to the wider community. Adventists believe that their prophetic destiny will see them become a persecuted minority prior to Christ's Second-Coming and not surprisingly have become sensitive about religious liberty and are particularly suspicious of government regulation into their affairs. It has led them to live quietly in Australia, in a manner similar to Australian

Jewry according to one informant, “despite ... their mission to evangelize the world”. One interviewee surprisingly defended the status quo from a desire to protect SHF: if the SHF was more open in disclosing its ties with Adventism it may become “tainted by an association with a less well known and misunderstood religious minority”. While these additional reasons for SHF not reporting are the perceptions of only a few informants, the fact that they were raised independently, reflect perceptions that appear to have currency in at least a portion of SDA membership.

The overwhelming attitude of informants in the present study is one of puzzlement and concern over SHF’s obscure financial reporting. One explained that the reports are fragmentary because the process is dependent upon the attitude of key individuals and whether or not they support the Adventist tradition. The same informant explained that the church system is well served by individuals who “keep one hand over the figures” while providing general reports. As noted in Chapter 3, a majority of interviewees in the present study held positions of responsibility either in the church or the SHF and continue to present themselves as practising Adventists. This may account for their criticism of the SHF and the Adventist church generally. For example, a number of informants noted that Adventism’s recent corporatization generally made financial reporting even more opaque, one describing the situation as “smoke and mirrors where transparency and accountability don’t apply.” They attribute the obscurity to that fact that members of Adventism’s financial arm occupy key ex-officio positions within the new corporate structures, including SHF. Another noted the Adventism administration is a “great example of set theory” where access to information is determined by your relationship to a small tightly controlled inner set.

The key reason offered by informants for the limited information on SHF financial accountability related to how the money was used. As one informant exclaimed,

That's it, that's it, that is the only reason why they do not report. It is what they do with the money.

A second informant indicated that there is “nothing to be ashamed of using SHF funds to support Adventist education and hospitals.” They also noted that the essential problem is that the Adventist church, like many other non-profit organizations, has put the survival of administration above all else. According to this informant, SHF has borne a disproportionate share of the Adventist administrative burden, which he believes can be justified, but only if the expenditure is transparent. The use of SHF money on administration, proselytising and travel is according to such informants the major reason as to why there is no information on SHF's financial accountability. Interestingly while SHF operates in a high trust environment, informants point to distrust as a key factor underpinning the obscure and fragmentary nature of SHF financial reports.

7.6 Humanitarianism vs Sectarianism

An understanding of the church's use of SHF profits is critical to understanding SHF financial accountability both from an Adventist and general community perspective. However Adventist humanitarianism draws on two contrasting traditions, one focused on promoting sectarian denominational concerns, and the other non-sectarian. Accordingly SHF finds itself navigating between these two conflicting outlooks. The willingness of the wider community to accept the inherent ambiguity of SHF's non-financial accountability and stewardship along with the non-

transparent use of funds will continue to be tested. The greater challenge for the SHF revolves around its relationship with the Adventist community.

The abilities for the SHF and the Adventist church to appeal simultaneously to different orientations despite the inherent contradictions within SHF's stated mission have been aided by the movement's lack of a clear Adventist ecclesiology (Oliver, 1989). This may not have been a problem when SHF was a small organization catering primarily for the needs of the Adventist membership. However, this has become more problematic now that SHF has outgrown its denominational boundaries and markets its products to the wider community. One informant considers that continuing efforts by SHF to legitimate its charitable status will be achieved only when SHF operates as a commercial entity and pays tax. If SHF paid tax, it would bring commercial legitimacy to its operation and remove the necessity of SHF to prove its charitable bona fides. The informant explained that as a commercial entity,

anyone can go into [SHF's] financial statements, instead of having a nil, nil balance sheet and all that sort of rubbish.

The "nil, nil balance sheet" referring to the official reports of the Adventist trustee company that controls SHF on behalf of the Adventist church (Appendix 2). SHF profits and their use would then be a matter of public record from this informant's perspective. The Adventist church could then draw on the profits without being concerned about the charitable status of SHF.

However, while turning SHF into a commercial entity would satisfy the concerns of many community oriented Adventists who seek more transparent financial practices and social engagement, conservative members would view the commercialization as an abandonment of Adventist values. SHF thus finds itself in a difficult position:

what is likely to please one group of church members is likely to alienate others. SHF's alliance with the Red Cross represents a major break with the traditional practice of SHF humanitarianism and despite the relatively small sum involved may be one form of engagement that would please both camps, as long as for the conservatives the sum remains small.

SHF's growing corporate confidence is also seen in commercial deals with DSF and McDonalds and the argument that Adventists should embrace an inclusive rather than exclusive view of these arrangements. Former CEO Smith's plea to look to the future provided an implicit challenge to SHF traditions, as part of this future challenged previously accepted aspects of the Adventist lifestyle, particularly in the areas of sport and recreation, that were either condemned or considered frivolous by Ellen White but which would fit comfortably with Kellogg's vision. The TRY-athlon and the links between SHF and national sporting teams²² for instance would not have been supported by SHF in 1970, but is now considered an appropriate means of promoting an SHF interpretation of Adventism's values (*Record* – 4/10/2008, p 13).

Authoritative statements by SHF management and Adventist leaders (highlighted in Chapters 5 and 6 of the study) to the effect that SHF's primary purpose is charitable rather than commercial have become increasingly problematic. In the 1970s, church members and possibly non-Adventist observers were left in no doubt as to the close links between SHF goals and the use of SHF profits to support Adventism imperatives for humanity. Similarly, non-financial accountability was a significant feature of SHF's operations. This correspondence between SHF and the Adventist

church is no longer self evident. On the one hand SHF appears to promote all forms of accountability and stewardship, while on the other hand SHF profits are being used as in the past to support the church. This expenditure is consistent with the official view of charity as an activity that begins at home and then radiates to others. One could argue that this inconsistency between promoting humanitarian goals while directing profits to maintaining a sectarian operation could signal the decoupling of SHF's charitable motivations from its traditional Adventist focus. It now appears highly problematic as to whether SHF can continue as an Adventist institution in the longer term without aligning its multiple accountabilities more consistently.

7.7 Conclusion

Church-run humanitarian activities invariably serve a double purpose. By assisting the needy the activity simultaneously serves to promote the church (Morgan, 2001). This could be said also of the Salvation Army, Anglicare, Catholic Agencies and Uniting Care. Irvine (1999) who explored accounting and accountability within the Salvation Army noted the organization's substantial contribution to Australian society. The Salvation Army has a public image as a religious charity. However, this image is an achieved outcome drawing on the extensive charity work and also the organization's management of its public image. Irvine (1999, p 212) found that despite apparent tensions within the Salvation Army, including the desire to maintain a spiritual focus, the financial reporting adopted "appeared to be very much concerned with image promotion". The Army's financial reporting had become part of the organization's public visibility and corporate image. The reports were prepared not just to "fulfill the strict letter of the law" or to "deflect criticism" but also to "pro-actively create an image" of the Salvation Army's charitable

accountability and stewardship. This image of progressive financial reporting “has been overlaid on the Army’s excellent existing reputation of social action, and has been overtly linked with requests for donations”.

There are some obvious parallels between the Seventh-day Adventist Church’s reporting and that developed by the Salvation Army. It could be argued that SHF providing funds for use by the Adventist church, mirrors the approach of other religious charities, particularly the Salvation Army, which according to Irvine (1999, p 311) “has wholeheartedly embraced the idea of business operations” to fund its charitable mission. Both religious minorities concur that definitions of charity should be purpose rather than activity based. A second parallel is that both church groups produce reports to manage public impressions. Moreover, both make a concerted effort to maintain the religious underpinning of their charitable activities; both Adventists and the Salvation Army want to remain recognizably Christian. However, there are also marked differences between the two church communities, particularly with respect to their underlying purposes and motivations for charity.

Adventist charity remains overtly evangelistic. Every aspect of the organization in one way or another – schools, hospitals, and various other forms of community engagement – operate as instruments to prosleytise. As one Adventist author commented, Adventist charitable activity can become a form of calculated goodness (Kubo, 1974, pp 9-14). Adventist charity focuses on maintaining the health of its own organizational structures and programs with outsiders being offered radiant charity. SHF aspires to be recognised as part of the charitable sector along with the Salvation Army and on its website under the subheading “Does Sanitarium Pay

Tax?” makes a case that the company should be considered a bona fide charity by declaring:

100% of Sanitarium’s profits are paid to the Seventh-day Adventist Church in Australia, which conducts many projects that benefit the community in Australia. These include health education for Aboriginal and Torres Strait Islanders, hospitals, education facilities, financial support for the Adventist Development and Relief Agency (ADRA) as well as many family services and community projects. (SHF, Tax Status, 2008)

Apart from reflecting previous statements about SHF in the public media, the declaration focusing on SHF’s legal status as a charity may be misplaced. At least in the timeframe of the present study, SHF’s charitable activities are denominationally focused, directed at preserving and maintaining the sectarian operations with limited evidence of disinterested giving. The chapter has highlighted that there is a marked discontinuity between what SHF/Adventist church actually do with SHF profits and their public pronouncements about what they do.

In the manner of how SHF profits are used by the Adventist Church, one could argue that the organization effectively is avoiding the essential moral character of charity as disinterested giving. The Church Treasurer’s interpretation and use of the key New Testament command to “love others as thy self” to justify using SHF tax-free surpluses to support the sectarian enterprise is questionable both in its interpretation and application. The chapter has shown that by any reckoning SHF and the Adventist church in concert still have work to do to demonstrate the moral basis of SHF’s claims to being a charity.

¹ ADRA is Adventism’s accredited charitable agency. It operates at both a national and international level in most countries where the Adventist church operates. It receives both government and non-government funding. ADRA activities are linked with other arms of the Adventist church particularly SHF and Sydney Adventist Hospital. National activities supported include, youth crisis and suicide support; drought and bush fire relief; school breakfast programs; disaster relief; training teachers in

the South Pacific; rural financial counselling; crisis accommodation; surgical teams working in Asia; famine relief in North Korea; and various disaster relief programs including extensive work with the Asian Tsunami. AUS aid uses ADRA to undertake various developmental programs in the South Pacific, Asia and Africa. Adventists promote ADRA as a credible and effective way for the Adventist church to be seen as practising practical Christian Grace. Adventist Media particularly *Record* make many references to ADRA's work – the following are illustrative – *Record* - 10/2/2001, pp 4-5; 28/4/2001, p 3; 14/9/2002, p 6; 9/11/2002, p 2; 14/12/2002, p 2; 18/1/2003, p 3, 23; 26/4/2003, p 7; 31/5/2003, pp 10-11; 4/10/2003, p 2; 25/10/2003, pp 8-9; 3/1/2004, p 7; 17/4/2004, p 1; 24/4/2004, p 5; 5/6/2004, p 8; 25/9/2004, p 3; 5/2/2005, p 5, 8; 26/3/2005, p 3.

² SHF has recently added to its website a page entitled “Does Sanitarium pay tax? – Sanitarium Gives its Profits for Charitable Purposes (SHF, Tax Status, 2008).” The bottom of the page indicates that it was published by the SHF communications department in May 2008. It was not evident on SHF webpages in mid 2005.

³ Refer to - *The Australian*, 7/2/2001, p 23; *The Australian*, 8/2/2001, p 19; *Sun-Herald*, 18/2/2001, p 22; *The Australian*, 25/8/2001, p 6; *The Australian*, 21/7/2008, p 36; *Access Economics*, 2001; ABC Religious Report, 2001; SBS Report, 2001; ABC 7.30 Report, 2002; ABC Religious Report, 2008.

⁴ Refer to - *Record* – 14/6/1986, p 16; 21/10/1989, p 9; 12/10/1991, p 10; 2/5/1992, p 5; 27/2/1993, p 4; 19/2/1994, p 4; 18/11/1995, p 11; 30/8/1997, p 3; 17/1/1998, p 3; 21/3/1998, p 11; 16/5/1998, p 11. *Sanco News* – 1985, Vol 16(4), pp 2-3; 1998, Vol 31(1), pp 1-5, 15-16.

⁵ The 1999 *SHF Business Review* indicated \$2,500 had been given to the Smith family, and airline tickets had been provided as part of SHF support of the World Vision Scholar program.

⁶ Malcolm Brown was a lead journalist covering the infamous Chamberlain murder trial (Chapter 3, endnote 8). Brown became familiar with the Adventist church and their members via the Chamberlain murder trial and had reported the Chamberlain case from the Adventist perspective in a sympathetic and understanding manner. Brown's candid comments on how Adventists are perceived in the general community therefore had credibility for Adventists.

⁷ A copy was provided to the author by a television journalist.

⁸ The flyer ‘Sanitarium Creating a Future,’ included the following information in regard to Figure 7.1. Sanitarium's financial support for the church typically accounts for 50-60% of the South Pacific Budget, with the 1995 budget including the following allocations from Sanitarium Health Food Company profits.

⁹ *Sunday Mail*, 3/1/1999, http://web.lexis-nexis.com/universe/do...&_md5=be060d2076bc9f1b733897c657f011; *The Christchurch Press*, 15/1/1999, p 6; *Nelson Mail*, 15/1/1999, p 3; *Hobart Mercury*, 28/1/1999, http://web.lexis-nexis.com/universe/do...&_md5=cbcefd8894e0b7a381463d7fe00248; *Illawarra Mercury*, 16/4/1999, p 49; *The Christchurch Press*, 21/6/1999, p 8; *Waikato Times*, 26/6/1999, p 17; *Evening Standard*, 2/7/1999, p 1; *Newcastle Herald*, 3/7/1999, p 16; *The Dominion*, 3/7/1999, p 3; *Evening Standard*, 12/7/1999, p 1; *The Christchurch Press*, 9/10/1999, p 27; *The Christchurch Press*, 5/2/2000, p 35; *Herald Sun*, 16/2/2000, p 81; *The Australian*, 28/2/2000, p 7; *The Nelson Mail*, 3/3/2000, p 7; *Southland Times*, 21/6/2000, p 3; *Waikato Times*, 29/6/2000, p 3; *Southland Times*, 8/7/2000, p 71; *Nelson Mail*, 12/12/2000, p 14.

¹⁰ Refer to Chapter 6, where this report was introduced and discussed.

¹¹ Refer to *The Australian*, 7/2/2001, p 23; *The Australian*, 8/2/2001, p 19; *Sun-Herald*, 18/2/2001, p 22; *Sunday Times*, 24/6/2001 (http://web.lexis-nexis.com/universe/do...&_md5=51bc3c7de717a7adb25f8d0b6ad600); *The Australian*, 25/8/2001, p 6).

¹² This contradicted the report of the online Adventist News Network (2001) which announced that “All submissions made to the inquiry are publicly available online at www.edi.gov.au (Charitable Definition Inquiry, 2001).”

¹³ http://web.lexis-nexis.com/universe/do...&_md5+45c889fcb8de9dd2150db09e1a1047

¹⁴ SPD budgets are reported in *Record* in a variety of ways, including:- income and expenditure format; detailed notes; or a narrative with figures inserted. Normally a narrative approach is used making comparison and analysis difficult, as the highlighted expenses constantly change.

¹⁵ No informant has been able to explain this report on NES in *The Australian* (2/9/2002) satisfactorily. The author is not aware of any Adventist report outlining NES funding arrangements.

¹⁶ A tax deductible public appeal.

¹⁷ *The Australian*, 6/6/2001, p M11; *Food and Pack*, May 2002; *SMH*, 29/5/2002, p 9; *Herald Sun*, 29/5/2002, p 32; *The Daily Telegraph*, 29/5/2002, p 39; *Cairns Sun*, 29/5/2002, p 22; *AFR*, 29/5/2002, p 3; *The Age*, 29/5/2002, p 3; *B and T Weekly*, 31/5/2002; *The Advertiser*, 7/6/2002, p 32; *Manly Daily*, 12/6/2002, p 32; *Record* - 15/6/2002, pp 9-10.

¹⁸ General references of SHF profits supporting humanitarian and community programs are evident on the SHF website (SHF Web 1).

¹⁹ The 2004 budget in *Record* (20/11/2004, p 6) indicated that SPD administrative costs of \$7.5m were not funded by tithes and offerings. It is reasonable to assume that such recurrent expenditure representing more than 10% of the SPD's total expenditure would be connected to either SHF or investment funding sources.

²⁰ The Draft Charities Bill of 2003 was never activated. This does not detract from the relevance of the submission, since it reveals the attitude of SHF to its own charitable classification.

²¹ A.C Neilsen is a commercial data collection firm.

²² The Australian cricket team and New Zealand Rugby All-Blacks are sponsored by SHF. A recent sponsorship by SHF of the Australian state cricket competition the Sheffield Shield has attracted protest from church members in *Record* (4/10/2008, p 13; 25/10/2008, p13). Letters attacked both SHF support of elite athletes and their anti-social behaviour; and a view that such sponsorship explicitly condoned the breaking of the Adventist Sabbath. SHF response defending the Sheffield Shield sponsorship was subsequently described by a correspondent as being "carefully worded".

Chapter 8

SHF Accountability

8.1 Introduction

The present study is founded on three key assumptions regarding accountability within religious organizations. The first is that accountability is unique to religion (Refer to section 2.3.1; Troeltsch, 1986; Niebuhr, 1960). Within religious organizations, accountability to God is a primary motivator for social action; followers conform to prescribed behaviour not only out of devotion and love but also from a sense of obligation. The second assumption is that accountability is even more pronounced among sectarian communities (Refer to section 1.3; Troeltsch, 1986; Stark, 2007; Schwartz, 1970; Weber, 1978, 2002; Wilson 1959, 1961, 1970). Stark (2007, p180) defines a sect as “a religious group that sustains a relatively intense level of religious commitment” and “a substantial degree of tension with its cultural environment”. In a sect, the sense of being accountable to God motivates behaviour, provides the psychological pull that enables individual followers to disengage (convert) from one religious community’s belief system and transfer allegiance to another, and promotes group participation, cohesion and commitment. A third assumption is that the Adventist movement and the SHF present ideal environments for exploring the notion of accountability within religious organizations (Refer to sections 1.7 and 4.2). The Adventist community not only affirms accountability to God as a core teaching, but also has developed an elaborate belief system around accountability to God that demarcates this community from all other Protestant Christian groups.

This chapter presents the key findings of the study regarding SHF accountability in the context of a broader view of accountability that extends beyond economic explanations. The chapter notes that both the Adventist community and SHF adhere to forms of accountability observed in other communities and organizations, including formal financial accountability, and informal socialising accountability discussed by accountability researchers (Laughlin, 1990; Roberts, 1991). However, the chapter highlights that even these forms of accountability in relation to SHF become re-defined by the Adventist context and are overshadowed by the notion of accountability to God developed around the distinctive Seventh-day Adventist teaching of the investigative judgement/audit. The chapter also shows how it is possible to arrive at a more nuanced notion of SHF accountability by understanding there are different Adventist outlooks and expectations regarding SHF accountability. The chapter concludes by noting that within Adventism, sacred and secular operate in combination rather than as opposites and this holds a key to understanding accountability observed in relation to SHF.

8.2 Broader View of Accountability

While the link between economic factors and accountability is well established, there is a project outside of the mainstream literature embracing a broader notion of accountability. Sections 2.3 and 2.4 highlighted a range of studies that have moved away from the traditional preoccupation of a significant cadre of accounting historians who were preoccupied with developing a narrative of how the discipline emerged, focusing on getting the story right, and seeking to glean predetermined facts from the archives. Hoskin and Macve (1986, 1988), Jacobs and Walker (2004), Quattrone (2004) and Walker (1998) amongst others all have contributed to

broadening the focus of accountability beyond the economic so as to explain the ubiquitous use of accountability within modernity.

Roberts (1991, p 367) considers that this broader notion aims to recover accountability “from the exclusive and apparently mesmeric grasp of accounting”. Studies to contextualise accountability while demonstrating the contradictory (Roberts, 1991) and chameleon-like character of accountability (Sinclair, 1995), have also offered theoretical insight into the nature of accountability. These insights include attempts to categorise and explore different types of accountability. As section 2.4.1 highlighted, a seminal division of accountability into hierarchical and socialising by Laughlin (1990) and Roberts (1991) has proved influential. A range of studies highlighted in sections 2.3 and 2.4 (Ezzamel, 2005; Jacobs and Walker, 2004; Quattrone, 2004, Walker, 1998) indicated that religious organizations and contexts were potentially fruitful sites to explore the nature of accountability. Adhering broadly to Roberts’ (1991) classification of accountability into a hierarchical and socialising form, they have been able to offer theoretical insight into both the classification and nature of accountability. Religious contexts are thus seen as offering the opportunity to explore a broader accountability, including the relatively unexplored socialising accountability as, unlike commercial organizations, they do not focus on the more highly visible and developed hierarchical and formal accountability systems (Parker, 2001). Section 2.4.1 also drew attention to studies (Berry, 2005; Kreander et al, 2004) that have identified a covenantal form of accountability that has moved beyond the hierarchical and socialising accountability proposed by Laughlin (1990) and Roberts (1991). Kreander et al (2004) in discussing the covenantal accountability, importantly made links with account giving as both a

social and moral imperative as discussed by Arrington and Francis (1993a, 1993b) and Schweiker (1993) (Refer to sections 2.2 and 2.4).

Studies into the broader notion of accountability can offer useful sensitivity points for understanding how Adventist religious beliefs have become linked with modern notions of accountability (Hoskin and Macve, 1986, 1988; Walker, 1998). Hoskin and Macve (1986, 1988) associate the modern use of accountability with attitudes evident in pre-Civil War American industries and institutions. They note the widespread efforts to monitor and calculate individual action within American military academies, munitions ordinances, the railways and society generally. The Adventist church began during this period and was influenced by the temper of that period (Bull and Lockhart, 1989, 2007; Butler, 1986, 1987).

Walker's (1998) study into nineteenth century British middle class households' practices and attitudes towards accounting and accountability also helps to provide a context to consider SHF and Adventist accountability. Walker observed that keeping accounts was a feature of Victorian middle class families and was motivated by evangelical Christian teaching concerned with "casting up accounts" to God (Davidoff and Hall, 1987, p 203). Walker drew on a range of studies that demonstrated the evangelical obsession on both sides of the Atlantic with what Obelkevitch (1990, p 326) described as the new "moral economy". The "moral economy" based around Protestant concerns over the cosmic battle between good and evil, self-control, self-examination and casting accounts to God (Carwadine, 1994; Obelkevitch, 1990). Adventists in their formative years were responding to the same concerns over accountability that were occupying mainstream Protestantism,

although Adventists were considered by their Protestant contemporaries as “deviants” (Gauvreau, 1994, p 283). This was due to Adventism’s teaching of the investigative audit, which provided Adventism with a unique means of self-examination and accountability to God. While other Protestant concerns over accountability have diminished, Seventh-day Adventism’s still retains strong connections with nineteenth century evangelical thinking and Victorian culture (Butler, 1979). This can be largely explained by how Adventism’s unique teaching of the investigative audit continues to promote “self examination” and the Adventist version of “measuring the man” (Butler, 1987, p 201).

An examination of SHF and Adventist accountability within a religious context thus immediately broadens the focus beyond Robert’s (1991) socialising and hierarchical forms of accountability. The present study provides an ideal context to explore these broader views of accountability within the operations of the SHF, an organization established to generate additional resources for the Adventist church while simultaneously promoting the values and philosophies that underpin Adventism’s world view. The previous Chapters (5 to 7) have revealed that the types of accountability associated with a broader perspective are evident also in the SHF, although in each case with an Adventist bias.

8.3 Formal Accountability

The present study into the accountability and stewardship of the SHF has highlighted a total absence of formal accounting reports and is the major reason why mainstream media considers that the SHF is a secretive organization. Apart from the SHF reports from 1996-2000 no evidence was found of even minimal financial probity reporting

either to the Adventist constituency or at the SPD executive level. As already elucidated in Chapters 5 to 7, the financial information available to the Adventist membership is presented in narrative form and embedded within the societal accountings rendered in the Adventist media. The reason advanced for SHF's lack of formal reporting is to avoid disclosing commercially sensitive information to competitors or because as a department of the Adventist Church SHF is not legally obliged to provide reports. The public trustee companies that hold SHF on behalf of the Adventist constituency similarly operate on the basis of minimal public transparency while fulfilling their minimum legal obligations to the regulatory authorities. Documents submitted by SHF follow the long established standard practice of providing *nil* figures for all financial statements submitted, and capture the public face of SHF's formal accountability (Refer to Appendix 2).

At face value, SHF's lack of financial reporting echoes Laughlin's (1996, p230) observation that organizations operating in high trust environments and with low potential for value conflict will have "ill-defined" reporting expectations that rest on fulfilling legal requirements "if needed at all." The Adventist Church context provides SHF with such a high trust reporting environment. Bull and Lockhart (2007, pp 133-34) explain that Adventists,

are accustomed to entrusting money to their co-religionists; their faith in one another applies to both tithe payment and dubious investments ... Church members tend to assume that fellow Adventists, particularly those who hold responsible positions, will act in the best interests of others.

However it is worth noting the distrust by the Adventist authorities themselves as one reason proffered by some informants for SHF's lack of formal reporting. Despite the high-trust context of the sectarian community, the examination of the SHF highlights

potential for value conflict particularly in relation to Adventism's unresolved tensions over the church's social and humanitarian goals. Superficially one could conclude from the absence of formal reporting that accounting and accountability hold little value or interest for this religious community. However, as the present study has shown, despite the absence of formal reporting and the invisibility of its accounting processes the Adventist organization places high esteem on accounting, accountants and accountability. Such emphasis reflecting Ellen White's instruction and blueprint regarding accounting and accountability as outlined in sections 1.4 and 4.4.2 of this study.¹

Even without financial reports, SHF has managed to convey to church members an impression of financial accountability to reassure the Adventist community. The search for instrumental explanations is seductive: more so when formal reports are absent as when they are present. As Carmona and Ezzamel (2006) note, despite the limitations of the reporting by religious organizations, accounting and accountability research into religious settings still tends to arrive at economically driven explanations for practices observed because researchers have been focusing on functional concerns.

It is more fruitful, however, to look beyond economic explanations when considering SHF's broad accountability. Indeed, researchers who have adopted a broader accountability focus within religious contexts have been successful in uncovering a complex web of relationships that exist between religious beliefs and reporting practices. In their study into the investment practices of two UK churches Kreander et al (2004) deliberately did not focus on legal reporting requirements but

concentrated on the theological bases of the reporting system. Their goal was to identify whether and in what ways the reporting system reflected the underlying beliefs of the churches they studied. They found a close correlation between religious beliefs and matters raised in reports. Similarly in his study into Jesuit accountability, Quattrone (2004) opted for a broader perspective beyond the economic and functional, and observed accountabilities that were tethered to the Catholic absolute ideology to invigorate and re-capture Catholic dominance after the reformation. The previous Chapters (5 to 7) have shown that the absence of financial reporting does not automatically equate with the SHF organization not valuing accountability.

8.4 Socialising Accountability

A key finding of this study is that, in the absence of formal SHF financial reports, societal accounting and accountability dominate SHF's discourses within the Adventist community. Indeed a challenge of the study has been to identify and better understand the nature of SHF's accountability. Roberts' (1991) term *socialising accountability* is used to refer to those aspects of accountability differentiated from hierarchical accountability typically associated with formal reporting.² The socialising form of accountability identified in this study shares many of the attributes already identified in the literature (Refer to section 2.4.1; Laughlin 1990, 1996; Roberts 1991), while incorporating innovations that reflect the religious context and the peculiarities of the Adventist culture and belief system. This supports studies that have used religious contexts and motivations to broaden and extend notions of *socialising* and *hierarchical* accountability, including covenantal accountability (Berry, 2005; Ezzamel, 2005; Kreander et al, 2004; Jacobs and Walker, 2004; Quattrone, 2004; Walker, 1998).

Socialising accountability does not appear to have been a formal priority for the SHF apart from a brief period between 1996 and 2000. SHF socialising accountability is typically fragmentary and sporadic in nature. It has to be deliberately sought out and discovered over time and across multiple sources. To identify SHF's socialising accountability requires an iterative engagement with the available sources and a willingness to be initiated into the Adventist social practice of drawing on assumed knowledge in addition to what is explicitly communicated, in order to interpret the information. SHF reports in the Adventist media highlight social links with the Adventist community via ties of common religious belief, kinship and community. Section 5.5 drew attention to SHF's communitarian role within Adventism and the importance of homilies and personal anecdotes of individuals, families and the Adventist church are essential for understanding the SHF in the Adventist culture.

Roberts' (1991) comments regarding the local context and face to face aspects of socialising accountability were made with reference to commercial organizations. However, Jacobs and Walker (2004) and Panozzo (1996), among other researchers, point out that voluntary organizations share socialising notions of accountability in ways that are not immediately apparent within commercial contexts. This study has shown that SHF's socialising accountability does not require direct face to face exchanges, although within the closely knit Adventist community, these links exist. Rather SHF's socialising accountability has been established around the use of specific media, particularly the Adventist print media, which serve to connect "like-minded people over distance" (Manners, 2004, pp 285-286). Reports in the Adventist press are used by SHF management to reinforce belief in the organization's multiple

goals and purposes based around both financial and non-financial accountability and stewardship. This study has provided evidence indicating that SHF socialising accountability capitalises on “invisible bonds” (Tacey 2003, pp 217-218) to reinforce shared meanings of the sacred. Socialising accountability within the SHF thus is not restricted by an imperative for face-to-face engagement nor confined to a particular location.

SHF’s socialising accountability does not exclude financial accountability and regularly reference is made to SHF’s commercial successes to reassure church members that God is leading and blessing through the SHF. This embedding of financial accountability informally within SHF’s socialising accountability reinforces to church members an appreciation of SHF’s role, both financially and non-financially. One could argue that Adventist consciousness is heightened, although not necessarily well informed, by reports that juxtapose rather than separate SHF’s contribution to the Adventist church. In the absence of formal SHF reporting, socialising accountability has become the means by which sporadic reports that contain limited financial information are made available to the Adventist community. Socialising accountability thus serves to comfort, reassure and strengthen members’ faith in SHF’s financial and non-financial achievements and contribution to the Adventist church. In SHF reports the company’s financial and non-financial activities feature as parallel achievements used to manage member perceptions of SHF as having a distinct Adventist mission. Members are thus reassured that SHF can be distinguished from commercial competitors. The most ready measure of SHF’s socialising accountability meeting the expectations of the Adventist community is the willingness of members to engage in reciprocal stewardship, by

openly supporting the company. Church members are not obliged to engage in reciprocal stewardship toward the SHF, however their compliance highlights the compelling power of socialising accountability in religious communities.³

The attitudes of church members toward the SHF certainly have been challenged by the shifts and changes in the SHF. With the exception of a brief period in the mid-1990s as described in section 6.5.2, when SHF was restructuring its operations, the company has been able to financially support the Adventist church and can therefore be considered to have met its financial accountability goals. What has proved more challenging for the company is meeting its non-financial accountabilities particular with regards to its role as an Adventist institution. In the absence of formal financial reporting SHF has relied on informal reporting to manage church member perceptions of changes in SHF governance and mission. SHF has transformed societal accounting into a credible alternative to formal reporting within the Adventist community. Non-financial reports underpin SHF's socialising accountability.

Church members for the most part have accepted without challenge SHF's redefinition of the company and its role in the Adventist mission because the socialising accountability of the SHF has reassured them that any activity or outcome associated is acceptable since SHF is Adventist. In the outlook of church members, SHF remains distinctive as an Adventist institution by redefining the entity's non-financial role within the more loosely determined notion of Adventist mission. In earlier decades, SHF factories, retail outlets and restaurants relied on the personal sacrifices and motivation of a predominately Adventist workforce that was united

around the goal of evangelism and church service. At the present time the mission of SHF is to befriend the community through TRY-athalons, Fun-days, community events and sponsorship of major national sporting activity including rugby union and cricket, usually without specific reference to the Adventist church. Despite this shift in emphasis, SHF has retained the affections of church members by using socialising accountability to promote an image of Adventists as a friendly and community minded people.

In SHF's narrative of socialising accountability, profits used to subsidise church activities are promoted as charitable activities aimed at relieving suffering humanity. However, the findings from this study suggest that SHF profits are used to support routine Adventist church activities, some of which are for disinterested humanitarian purposes but most are aimed at promoting the Adventist denomination. SHF's status as a charity is complex, but the nomenclature of charity is derived primarily from the fact that the SHF business is embedded within the Adventist organizational structures as a department of the Church. In other words, the description of SHF as a charity refers not to how business profits are used but to the fact that SHF is part of the Adventist organization and the profits are managed and expended by the church.

This study has shown that a professional minority within the Adventist church is critical of the fact that while claiming to be a charity, SHF profits are used to underwrite routine Adventist operations. However, the interviewees revealed that members find it difficult to be openly critical of SHF's claims to charity because to do so is to be critical of the church. This supports Ballis's (1999, pp 206-209) observation that the more common response of Adventists critical of church practices

is to “exit” Adventism altogether rather than using their “voice” to protest and remain (Hirschman, 1970).

What is of interest is the fact that notwithstanding the repositioning of SHF’s business model and strategy to downplay its sectarian Adventist heritage, SHF remains connected with the movement’s spiritual mission in the thinking of many church members. The success of SHF changing its focus without affecting member’s attitudes indicates the power of socialising accountability within religious organizations. Commitment to the organization remains unchallenged even though, as this study has shown, there is strong evidence that SHF’s social outlook and business practices may be at odds with traditional Adventist values, for example, in relation to competitive worldly sports.

Reciprocal stewardship by individual Adventists towards SHF is secured by deeply held shared beliefs. One possible explanation for SHF continuing to be treated as a department of the church by the Adventist leadership (even though the entity increasingly appears distant from traditional beliefs and practices of Adventism) is for tax avoidance purposes. An alternative explanation regarding SHF’s ongoing links with Adventism is that church structures and operations are not built around an ecclesiology but on the Adventist church’s sense of mission. This mission has proved to be malleable and has been used effectively to legitimate and align changing business interests and practices of SHF to a shared sense of mission with the Adventist church.

While the Adventist church continues to fiercely resist changes to its theology, no such theology protects church structures from change other than the imperative to spread the Adventist message. What gives the structure permanence and stability is the self-appointed church leadership from within the Church's administrative and institutional structures (Ballis, 1999; Bull and Lockhart, 2007). The Adventist mission imperative is an open ended concept and is, as Ballis (1999, p 210) observes, largely dependent upon "the power that Adventist authorities have to push the movement – 'with the blessing of God' – in whatever direction they deem appropriate." Jacobs and Walker (2004) observed that members in religious organizations can tolerate considerable blurring of boundaries between hierarchical and socialising forms of accountability (cf. Roberts, 1991). Church members will continue to associate the SHF and its operations with the Adventist mission so long as SHF remains a department of the church.

This study has shown that socialising accountability can be a powerfully persuasive force capable of reproducing the accountability system in religious organizations. It can be as compelling as hierarchical forms of reproduction as observed by Roberts and Scapens (1985). Socialising accountability has been the pivotal technology used to secure SHF within Adventist boundaries. Church authorities have discovered that socialising accountability is a malleable form of accountability that can tolerate even fundamental changes. Arguably this process has been so successful that some Adventists find it virtually impossible to critically examine SHF's role. Others are satisfied that SHF contributes to the Adventist mission. Most defer SHF accountability to God.

8.5 Accountability to God

The Adventist Church is underpinned by a conviction of accountability to God that permeates every aspect of what it means to be Adventist. Accountability to God accordingly underpins every aspect of the SHF. The idea of being accountable to God is a key belief in all theistic religions. The accounting and accountability literature has identified that giving accounts to God is a common feature of religious organizations (Booth, 1993; Laughlin, 1990, 1996; Lightbody, 2000a; Irvine 2005; Maltby, 1997). Cordery (2006) and Kreander et al (2004) have examined the notion of account giving in relation to the theology of stewardship, noting that the sense of being accountable to an all-knowing God motivates action. Walker (1998) found that the Protestant notion of “casting up accounts” to God was a key motivator of behaviour among the Victorian middle class in Great Britain. Quattrone (2004) showed that accountability among Jesuits involved accountability “to God” and “for God”. The idea of being accountable to God is a motivator for conversion and switching denominational allegiance among religious sects (Beckford, 1975, 1977). Accountability is even more pivotal in Adventism and features as the key Adventist teaching around which all other beliefs and practices revolve. Such accountability however must be understood in the context of beliefs that distrust secular authority and voluntary disclosure as discussed in section 4.3. One of the primary reasons advanced by one informant for the absence of formal SHF reports is that the Adventist church teaches that prior to Christ’s second coming Adventists would be persecuted for being faithful to God’s commandments. The implication being that Adventist institutions such as SHF prefer a low public profile by not providing ammunition via formal reports for critics to attack the church.

The Adventist version of accountability to God is encapsulated in the teaching of the investigative judgement or audit (Hardy et al, 2007). The investigative audit (also referred to by Adventists as the doctrine of the heavenly sanctuary) constitutes the very heart of Adventist theology; it is the only teaching that is unique to Adventism (Young, 2005). Orthodox Christian belief holds that Christ's atonement for sin was completed on the cross. Adventism in a "radical departure" from orthodoxy teach that Christ's atonement continues on in heaven having entered a new stage beginning on October 22, 1844 by a "laborious process" of investigation and examination of an individuals suitability to enter heavenly society. For Adventists, this places the investigative audit in heaven at the centre of the redemptive process, based around "methodical procedures" that employ the techniques of accounting (Bull and Lockhart, 2007, pp 75-77). It is also the one belief church members and authorities draw on to justify the existence of the Adventist movement and to explain the church's role in contemporary society. Adventists believe that the movement had been foretold in the prophecies of the Old and New Testaments of the Christian Bible and assigned a mission to proclaim the commencement of a literal investigative audit in heaven that commenced in 1844. Adventists believe that the investigative audit is a literal process that is carried out within literal heavenly structures. According to Adventist teaching, the investigative audit signals the final process of salvation to determine who is eligible to spend eternity with God and who is destined for eternal damnation (Butler, 1987; Morgan, 2001; Schwartz, 1970). More than any other Adventist belief, the teaching has attracted the most intense attacks from scholars (Bull and Lockhart, 2007, Chapter 6; Douty, 1962; Seventh-day Adventists, 1957). This teaching ultimately sets Adventism apart from other Protestant religious groups.⁴

The real innovation in the Adventist conception of accountability is the literalness of the heavenly investigative audit. Adventist accounts of this heavenly drama draw upon both the language and processes of accounting. There is no comparable teaching in any other religious organization. An examination of this teaching is relevant to this study because the judgement/audit event provides a focus for Adventist motivation. The investigative audit enables us to better understand the high levels of trust members ascribe to church authorities and management in relation to the SHF.

As described by the Adventist prophetess, activities in the heavenly audit are the epitome of the fair and true accounting system with no expectation gaps between what is reported and what occurs. The following excerpt from Ellen White (1948a, p 385) illustrates the process of investigation, replete with commercial terminology and invokes the practices and tools of accounting:

The great day of the execution of God's judgement seemed to have come. Ten thousand times ten thousand were assembled before a large throne, upon which was seated a person of majestic appearance. Several books were before Him, and upon the covers of each was written in letters of gold which seemed like a burning flame of fire: 'Ledger of Heaven...

Another book was opened, wherein were recorded the sins of those who professed the truth. Under the general heading of selfishness came every other sin. There were also headings over every column and underneath these, opposite each name, were recorded, in their respective columns, the lesser sins.

Under covetousness came falsehood, theft, robbery, fraud and avarice. Under ambition came pride and extravagance, jealousy stood at the head of malice, envy and hatred; intemperance headed a long fearful list of crimes, such as lasciviousness, adultery, indulgence of animal passions ...

As the Holy One upon the throne slowly turned the leaves of the ledger, and His eyes rested for a moment upon individuals, His glance seemed to burn into their very souls, and at the same moment every word and

action of their lives passed before their minds as clearly as though traced before their vision in letters of fire.

The sanctuary is a place of production carried out around an assembly line of activities that have to do with source documents, transactions, recording, reporting, analysing and interpreting. It is a highly ordered and systematised work environment: there are clearly demarcated divisions of labour and clearly identifiable core business activities that both absorb time and heavenly resources from the expected religious celebrations usually associated with heaven. There is evidence of extensive use of the technical apparatus of accounting – books, ledgers, columns, the recording of the daily transactions of life, as well as the roles one would associate with accounting. Heaven presents as a pressure work environment driven by a sophisticated accounting system. In Ellen White's writing, the depiction of the investigative audit constitutes "the most extravagant extraterrestrial theology of the twentieth century" (Bull and Lockhart, 2007, p 73), with heaven and other intelligences focused on the outcome. In the heavenly drama,

The accounts of every business, the details of every transaction pass the scrutiny of unseen auditors, agents of Him who never compromises with injustice, never overlooks evil, never palliates wrong. (White, 1903, p 144)

In a letter directed to church leaders and aimed at depicting the gravity of the times and eternal consequences of their actions, Ellen White warned:

All who are employed in our institutions are under the eye of the infinite God. He sees whether their duties are performed with strict integrity or in a careless, dishonest manner. Angels are walking unseen through every room of these institutions. Angels are constantly ascending to heaven, bearing up the record with joy or sadness. Every act of fidelity is registered, every act of dishonesty also is recorded, and every person is finally to be rewarded as his works have been. (White, 1948d, p 564)

Ellen White reminded church leaders that "God [was] observing everything that transpire[d] in the office" (White, 1948e, p 558). She warned church employees that in the heavenly books to be opened during the investigative audit have been recorded

all their dealings and that the heavenly angels as unseen auditors are tireless and unceasing in their record keeping. In a statement republished in *The Health Food Ministry* (White, 1970), a compilation specifically compiled for church members and administrators associated with the Adventist food industry, Ellen White states that “Every chapter of the work carried on in Battle Creek has been recorded in the books of heaven, from the first action to the last” (White, 1970, p 83). She was emphatic that “God desires all the [church’s] workers to practice economy and especially to be faithful accountants” (White, 1948g, p 204).

Adventist followers are admonished to emulate the values of the heavenly audit in their lives. Church members are instructed to conduct their lives with awareness that angels are keeping record and that their lives will be audited by God. The most critical events in the cosmic struggle, as Ellen White saw them and church members of today accept, consist of a series of accounting transactions that focus on the auditing of humanity by God. Evidence for contemporary acceptance and promotion of the accountability inherent in a literal and currently occurring investigative audit by Adventists abound, including numerous articles by leading Adventist theologians and apologists in the *Adventist Review and Ministry* (Bolotnikov - Online, 2004; Damsteegt- Online, 1994, 1999; Ferris - Online, 2005; Goldstein - Online, 2001; Schwirzer - Online, 2006). In 1998 the Adventist ministerial association published a compilation of Ellen White’s writings on the investigative audit, including her use of accounting technology and practices to describe heavenly activity. Studies into the judgement and investigative audit continue to occupy a central role in the Adventist church’s quarterly Sabbath School⁵ lesson studies. These studies are organised on a world wide basis, so that all Adventists are studying the same themes

simultaneously. The following recent quarterly lesson studies have been based on investigative audit themes; Sabbath School Quarterly 1, 1999 (Online, 1999); Sabbath School Quarterly 3, 2001 (Online, 2001); Sabbath School Quarterly 2, 2002 (Online, 2002); Sabbath School Quarterly 4, 2004 (Online, 2004) and Sabbath School Quarterly 3, 2006 (Online, 2006). Adventist church members continue to teach and believe in a literal investigative audit based around heavenly accounting transactions and see direct correlation between their daily lives and heaven's accounting system. Adventists consider that life on earth should be about "purposive self-improvement" and "self-control", the investigative audit thus highlights the essential nature of Adventist accountability (Bull and Lockhart, 2007, pp 249-250).

8.6 Awfulness of Accountability

The technology of accounting with its vaunted precision in valuing, measuring, self-checking and recording can be threatening to those subjected to its rigours.

According to Hoskin (1996), accounting and accountability are inventions of modernity that serve to intensify scrutiny of the self:

Not only are duties specified, but the means of evaluating the level of their performances is already prescribed, in implicit or explicit norms, standards, and targets of performance; wherefore surveillance over and judgement of performance is vastly widened and deepened. One is no longer just a steward of goods, moneys or powers answerable for past performance and present circumstances. Accountability ranges more freely over space and time, focusing as much on future potential as on past accomplishment, connecting and consolidating performance reports to plans and forecasts ... [Accountability] in all its processes engages the self more insistently in the successful accomplishment of what is demanded over time and space. (Hoskin, 1996, p 265)

Hoskin uses the phrase the "awful idea of accountability" to describe the modern obsession with meticulous and continual examination of the self. In a sense, auditors are analogous to, what traffic police are to motorists; the immediate reaction upon seeing a police officer is one of unease even when one has been obeying the traffic

laws. The prospect of an audit and the need to give an account can provoke self-examination, generate deep psychological uncertainty and occasionally fear at the prospect of failing to meet required accountabilities, being shown to have embarrassing shortcomings, or worse still, being accused of carrying out illegal activities. McLarty, an editor of the *Adventist Today* explains:

During my teen years, the investigative judgment doctrine combined with my natural insecurity to make me utterly miserable. It required a perfection I could not achieve. It warned of damnation I could not possibly avoid. (McLarty, Online -1988)

The remorselessness implicit in accounting's methods and processes, focused as they are on assessing costs and benefits of actions, adhering to standards and norms, financial control and reporting, can generate feelings of fear particularly in those who rely on these same tools for the subjectivity inherent in religious "self examination" and as a means for "measuring the man" as occurs in the Adventist teaching associated with the investigative audit (Butler, 1987, p 201). At an individual level, self-doubt and fear are a corollary of processes accounting uses to legitimate the reality of operations.

Adventists live their lives in the shadow of this heavenly drama. A sample of reports published in *Record* illustrates the extent to which events in heaven influence and regulate Adventist activities on earth. Schoen (*Record*, 28/7/1975, p 10) warns Adventists, particularly those who "do not like the idea that God is keeping records of everything" that "there is a book-keeping system in heaven" and admonishes church members to be vigilant, well organized and business-like in their daily lives. Uttley (*Record*, 16 July 1973, p 8) declares that "order is Heaven's first law" and that "organization ... constitutes the lifeblood of the establishment whether it be

commercial or spiritual”. In a devotional in which church members are admonished to reflect on their business relationship with God, Rees (*Record*, 4/6/1973, p 6) challenges the faithful to consider the implications of being invited to “sit down ... with the angel bookkeeper – our Heavenly accountant – and look over our records with God for the past year”. In the Adventist consciousness, heaven and earth become merged realities divided by time rather than by space; each has application to and impacts on the other. The heavenly audit provides the Adventist organization with a unique and powerful instrument of social control to motivate members into action and to promote accountability at both personal and organizational levels.

References to the investigative audit in the church literature, while directed toward individuals, also have an institutional application. Church leaders, including SHF management were fully cognisant that SHF was not excluded from the examining gaze of the heavenly auditor. In a report in *SANCO News*, Ron Roy informed his co-workers in the SHF that “The world may sneer at true honesty in deals of business, but in all our transactions God calls on all to exercise straightforwardness and integrity, which are recorded in the books of heaven” (*Sanco News*, 1970, vol 1(2), p2). Frank Craig, one time General Manager of SHF, reminded SHF employees that “the Lord is coming soon” and “will take account of our stewardship” (*Sanco News*, 1973, vol 4(5), p 1). In the 1970s when the SHF had primarily an Adventist workforce, the general manager Craig made constant reference to the need for workers to exercise discipline both at company and personal levels, the need for willpower to form character and to reject the permissive society, and a need to make self-control a habit of life (*Sanco News*, 1971, Vol 2(6), p2; 1972, Vol 3(3), p 2; 1974 vol 5(3), p 2; 1975, Vol 3(3) p 2; 1976 vol 7(6), p 2). Such exhortations for

self-control and discipline by SHF management echo the motivation underpinning the moral economy of nineteenth century evangelical Protestantism. Within the Adventist economy, the imperatives apply to modernity and are aimed at increasing the workforce productivity.

Thus individual Adventists including Adventist employees of SHF are subjected to a form of intense hierarchical accountability, which while not producing formal reports, as Roberts (1991) suggests, is an integral part of such accountability and achieves the same ends. A sense of obligation is achieved by exploiting the essence of hierarchical accountability through the production and reproduction of the Adventist self and maintaining accountability by drawing on processes and practices of accountability in the heavenly realm. At the time of the Palmerston North factory closure in New Zealand, Don Brooking, the factory manager, was quoted in *SANCO News* (1996, Vol 28(3), p 8) as stating that the real reasons for the closure of the factory would be “known only in the realms above.” Brooking is making it clear that from an Adventist perspective further accountability in regard to SHF will be forthcoming as part of the investigative audit. While there may be passive acceptance within the Adventist community in regard to the formal reporting practices of SHF on earth, Brooking is making it clear that the factory closure will be re-examined in heaven and the *real* story regarding the SHF restructure and the closing of the Palmerston North factory will be revealed. Brooking’s reference to the heavenly audit is a veiled threat to church authorities that they will be accountable to God for their actions.

Perc Jones from the Melbourne Wholesale Branch of the SHF encoded his feelings for the company and belief in God's investigative audit with an ode to SHF in which he noted:

But this we know could never be –
Ours is a work of love.
The profits of our labour
Are noted 'up above'. (*SANCO News*, 1970, vol 1(1), p 2)

Frank Maberly, the Division Secretary writing in the *Record* (2/2/1970, p 10), reminded teachers, health food workers, administrators and preachers that “facts and figures [alone] cannot fully convey the dedication of God's servants” and that “Recorded in the heavenly books” are the motivation and spirit of their service to the institution. At a church finance and accounting officers' convention, D.J. Silver reflected on his extended service with the church with a poem in which he expressed satisfaction and confidence that the heavenly record would faithfully endorse his service

I came to the end of the entry of life
And the balance sheet was cast
The ruling off was over and done
And the ledger closed at last. (*Record*, 3/9/1973, p8)

Sentiments such as those noted above indicate not only church members' firm belief in the reality of a heavenly audit but also conviction of the “imperishable [accounting] records” that are being kept (*Record*, 28/2/1975, p 10).

The study into SHF accountability is of interest primarily because it is a business entity of the Seventh-day Adventist Church and operates within that sectarian movement's institutional structures. One could attribute the lack of SHF's formal accountability to the fact that the entity operates within a high trust environment. However, this explanation overlooks the evidence highlighted by this study, namely

that accountability within religious organizations ultimately is defined by an accountability to God (Carmona and Ezzamel, 2006; Irvine, 2005; Kreander et al, 2004; Quattrone, 2004).

There is a growing understanding among accounting and accountability researchers that religious entities have a distinctive place within the building blocks of society and have potential to reveal aspects of accounting and accountability that cannot be understood with reference to the economic. It has been seen in the literature within the ideological predisposition of the Jesuit organization (Quattrone, 2004) or in the theological belief of Christian stewardship at an individual level (Jacobs, 2005) and at a local church level (Irvine, 2005). It is also clearly evident in the case of the SHF and Seventh-day Adventist church where hierarchical and socialising forms of accountability while evident have undergone Adventist innovation. They have been inverted and harnessed to serve the Adventist understanding of accountability to God by the process of a formal investigative audit in heaven that controls behaviour on earth.

8.7 Accountability to God and Trust in Earthly Leadership

This study has shown that despite the minimal financial information provided and changes in SHF's non-financial operations, the Adventist community remains loyally wedded to the SHF as an Adventist institution and is prepared to continue to say "make mine Sanitarium" via many forms of reciprocal stewardship. The socialising accountability of SHF is an example of what Irvine (2005) describes as a finely balanced tension between resources and mission within religious organizations. The

critical factor in the success of SHF's socialising accountability is the way that church members respond to church leadership, including SHF management.

One of the most cited quotes from Ellen White states:

We have nothing to fear for the future, except as we shall forget the way the Lord has led us, and His teaching in our past history. (White, 1915, p 196)

Church leaders use the Ellen White reference as an anchor to assure church members of God's leading and to appeal for their continued loyalty. Goldstone's devotional history of the North New Zealand Conference, *Nothing to Fear* (Goldstone, 1983), deliberately seeks to solicit confidence among church members in the context of a theological controversy during the 1980s that had the potential to destroy the Adventist movement (Ballis, 1999; Hook, 2008). Church leaders interpret the Ellen White statement as a call to remember God's providential leadership in their lives. Adventist pastor Eric Kingdom, for example, challenged attendees at the Warburton Adventist Church's centenary celebrations in April 2006 "to reflect on the things that have shaped both church and community in Warburton (Warburton – Online, 2006)". However, Ellen White's statement is an affirmation of church leadership. In the foreword to the SHF company history, *What Hath God Wrought* (Parr and Litster, 1995, p 9), SHF Managing Director Grosser twice refers to the Ellen White passage noting that the book was written "lest we forget" the leadership of the past. Acceptance of church leadership is the cornerstone of Adventist socialising accountability.

From an Adventist perspective, lack of financial detail with regards to SHF commercial activities is of little consequence, because ultimately both SHF and all

individuals concerned with the business will be held accountable for their actions. The teaching of the investigative audit provides Adventist leadership in general and SHF management specifically with the freedom to operate outside of the restraints imposed by formal and socialising aspects of accountability. A narrow view of accountability would obscure the nature of SHF accountability and the attachment that Adventists' theology imposes on accountability and techniques of accounting. For despite the passivity that some Adventist adherents may have towards SHF and Adventist leadership regarding current accountability obligations, there is acceptance that church leaders are accountable to God and for Adventists this represents ultimate accountability. Whereas other religious organizations experience difficulties in maintaining the notion of stewardship (Irvine, 2005), Adventists have been successful in maintaining a consciousness of accountability by combining pre-modern and modern forms of accountability in their theology of the investigative audit.

8.8 Religious Beliefs and SHF Accountabilities

This examination into the nature of SHF accountability highlights simultaneously not only the malleability of this organization's accountability practices but also the fact that it is a mistake to assume that all Adventists are the same or that church members have a uniform understanding of accountability as it relates to SHF. The study has revealed Adventism embraces a number of distinct groupings and outlooks that continue to identify with the movement (Refer to sections 4.2, 4.5.2 and 4.5.3; Borhek, 1953, 1965; Bull and Lockhart, 1989, 2007; Theobald, 1974, 1979). The diversity of outlooks is typical of what may be observed within sectarian communities generally (Bainbridge and Stark, 1980; Teel, 1980; Wilson 1959, 1981,

1990; Yinger, 1961). This study has shown that at least three different types of Adventism can be observed to coexist within the Adventist community: traditional Adventists, revisionist Adventists, and humanitarian Adventists. Each is differentiated from the other by their degree of commitment to sectarian values and levels of engagement with the community. The present study has provided evidence that suggests that SHF's various accountability practices appear to correspond with the different Adventist outlooks.

Traditional Adventists are committed to promoting the traditional beliefs and sectarian mission of the church (Vance, 1999; Bull and Lockhart, 2007). Traditional Adventists willingly entrust to church authorities the running of the church and its operations and consequently are less concerned with formal reporting, and view accountability in terms of Adventist mission (*Record*, 12/7/2008, p 9). Wolfgramm (1983, p 124) coined the term "revisionist Adventists" to describe a second cluster of church members who call themselves Adventist but who seek to revise Adventist theology and redefine what it means to be an Adventist. Wolfgramm (1983) suggests that revisionists are typically intellectuals and professionals who have been exposed to and influenced by secular external training and intra-sectarian orientations. The salient characteristic of this second group of Adventists is their critical questioning of all aspects of the organization while continuing to identify with the movement. A third cluster of adherents can be observed within the Adventist community consisting of church members with a strong humanitarian and social gospel orientation. This group, a minority, tends to feature individuals who can be accused of being nominal Adventists but who nevertheless continue to identify with the movement while rejecting sectarianism *per se*. Humanitarian Adventists are diametrically opposed to

Traditional Adventists both in belief and social outlook; their emphasis on the humanitarian mission is as pronounced as the apocalyptic emphasis that undergirds traditional Adventism (Bull and Lockhart 2007). Kellogg was an early champion of humanitarian Adventism; a number of interviewees in the present study would self describe themselves as belonging to this group.

The different Adventist orientations have important implications for a more nuanced understanding of SHF's accountability and stewardship practices; they help explain the shifting emphases of SHF's financial and non-financial stewardship noted in this study. They also provide a context for evaluating the apparent ambivalence in SHF's social orientation that at times stresses mainstream charitable links while simultaneously supporting Adventist sectarianism. A central premise of the present study drawn from the literature is that stewardship and accountability are social constructs and achieved outcomes (Ezzamel, 2005; Jacobs and Walker, 2004; Quattrone, 2004). An understanding of the various social orientations of Adventism provides a vantage point from which to consider SHF's accountability in relation to Adventist beliefs.

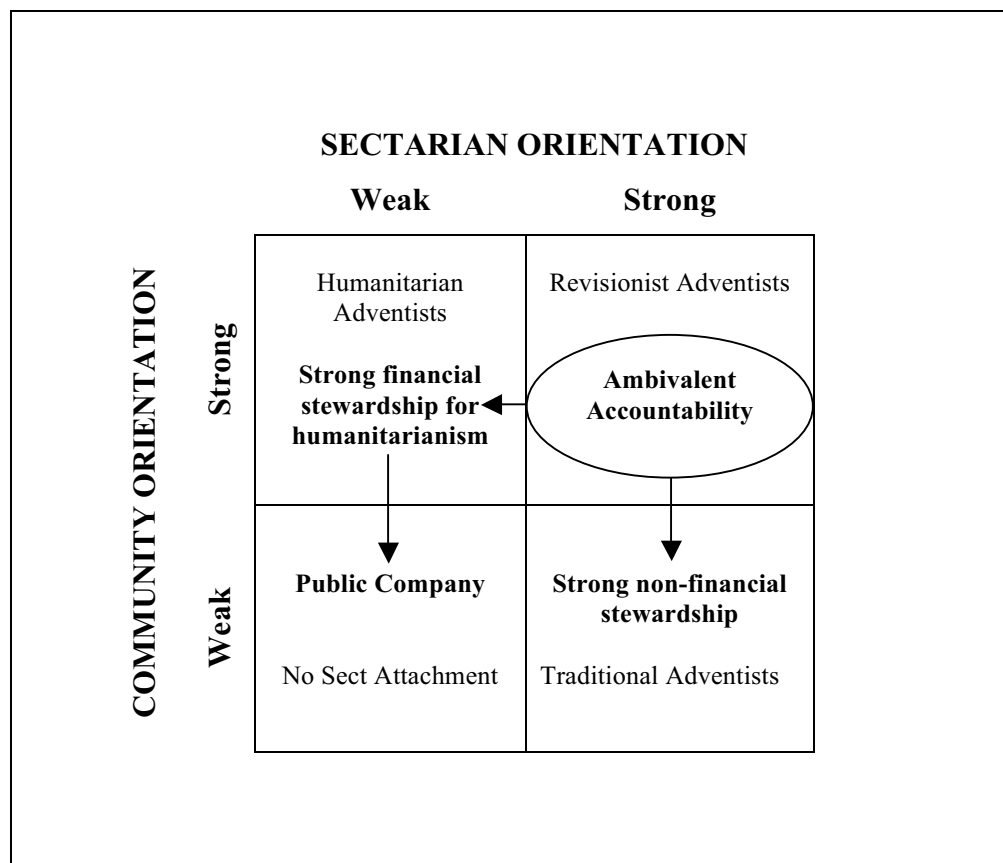
The study has shown that SHF has become a more professional organization both in management structure and operation. At the same time, SHF's managerial focus has contributed to highlighting ambivalence in relation to the organization's mission: it is less clear in what ways SHF is an Adventist institution and its status as a non-profit operation. In some respects contemporary SHF epitomises some of the values that Dr John Harvey Kellogg had proclaimed at the turn of the twentieth century and for which he eventually was excommunicated by the church. In the 1970s SHF

accountability was relatively clear; it was an Adventist owned and run organization that employed Adventists, manufactured and retailed health foods and generated profits to support Adventist mission. Post-2000, while the Adventist Church legally owns the business, SHF's Adventist ethos is now contestable. SHF continues to provide funds to support Adventist mission but the Adventist links are tenuous and only selectively referred to in the public media. SHF can thus be observed vacillating between conflicting accountabilities: to church members it is an Adventist business that generates profits to support the Adventist mission; to the non-Adventist public, SHF presents itself as an independent and non-profit health food manufacturer that supports mainstream charitable causes. This apparent incongruence in SHF's accountability can be understood most fully when viewed in the context of a religious community whose membership itself is divided and embraces multiple social orientations.

Figure 8.1 depicts SHF's accountabilities in relation to Adventism's community orientations. By cross-tabulating the two key variables of Adventism's sectarian orientation and community orientation it is possible to construct a four cell typology depicting the different Adventist orientations. As noted in the earlier chapters, Figure 8.1 shows that SHF accountability consists of three relatively distinct outlooks: one focusing on non-financial matters, a second preoccupied with financial concerns, and an in-between position that is best described as ambivalent accountability. Some interviewees in the present study articulated the conservative or traditional view among Adventists members of seeing the SHF as "a unique support" to the Adventist cause. According to these informants SHF operates to support the Adventist mission by promoting Adventist health values to the general community, providing

employment for Adventists, and both directly and indirectly providing financial support for the church. Financial accountability, though important according to these informants, is secondary to non-financial accountability and stewardship. The emphasis on SHF societal accountability is embraced most fully by the traditional and conservative segment of the church that remains preoccupied with promoting the sectarian cause.

Figure 8.1 **SHF's Accountabilities in Relation to Adventism's Community Orientations**



An opposite view also embraced by Adventist members and articulated by other informants in the present study promotes financial accountability to support

disinterested humanitarian activities. This position was first articulated by Kellogg who argued that the commercialisation of Adventist breakfast cereals “would make enough money...to support the entire denominational work” (Numbers, 1992, p 189). This view of SHF accountability reflects the outlook of an influential and articulate minority of individual Adventists committed to supporting disinterested charity in tandem with promoting an inter-denominational Christian message.

A third view of SHF accountability has been identified from the discussions with interviewees and the available documentary evidence and is typified by ambivalence and uncertainty as to SHF’s role within the Adventist church. This position reflects the outlook particularly of SHF management that is challenged by conflicting expectations regarding SHF accountability, on the one hand reassuring sectarian church members of SHF’s Adventist credentials, while on the other hand meeting the broader expectations of social gospel Adventists that focus on efficiency and charity. The ambivalence associated with this outlook epitomises the tensions implicit among Adventist revisionists who similarly wrestle with remaining recognisably Adventist while redefining traditional sect boundaries. The arrows in Figure 8.1 depict directions of change in SHF accountability and the activities being undertaken by the company that sometimes embrace the non-Adventist community and at other times promote Adventism’s traditional mission.

As well, the arrows in Figure 8.1 are an attempt to suggest that SHF accountability at this point of time remains fluid and not frozen in servicing the perceived needs of any one particular orientation or privileged group of members. The ambivalence and uncertainty of this position becomes problematic particularly when SHF seeks to

clarify its status as a non-profit organization to the wider community and its relationship with the Adventist church.

Only one of the informants in the present study advocated privatising the SHF. This individual was a bold advocate of financial accountability and argued that in his view SHF can no longer be described as fulfilling its Adventist mission. According to this lone voice the most appropriate response is to realise the investment to generate greater financial returns with less risk for the church.

8.9 Sacred and Secular Divide

From his study on “Financial Accountability and the Church of England”, Laughlin (1990) concluded that the tension he observed between secular accounting processes and routine religious activities is best explained by assuming a theoretical divide between the sacred and secular. In other words, Laughlin argued that by their very nature, secular activities sit uncomfortably within religious settings. In the theoretical model he introduced to the accounting literature Laughlin (1988) argued that accountability within religious organizations could be explained using the sacred and secular divide in which “accounting and accountability matters are seen as secular and secondary” to the sacred religious mission and activities (Laughlin, 1990, p107). Since that initial publication, the sacred and secular divide has become an influential theoretical perspective to explain not only the status of accounting and accountability in religious organizations but any setting where higher principles based on ideological considerations confront and challenge economic considerations (Laughlin, 1996).

Laughlin's (1988, 1990) theoretical assumptions regarding the sacred and secular divide have been instrumental in reinvigorating interest in the study of religious organizations among accounting and accountability researchers. In addition, the sacred and secular division itself has also attracted significant attention and criticism from these same researchers who have sought to apply the theoretical framework to specific religious communities. In contrast to Laughlin's assumptions of the sacred and secular being separated by a divide, researchers have found that within some communities, secular activities such as accounting and accountability are intertwined with, co-exist harmoniously and even support the sacred mission of religious organizations (Carmona and Ezzamel, 2006; Cordery, 2006; Espejo et al, 2006; Ezzamel, 2005; Hardy and Ballis, 2005; Irvine, 2005; Jacobs and Walker, 2004; Jacobs, 2005; Kreander et al, 2004; Lightbody, 2000a; Prieto et al, 2006; Quattrone, 2004). Indeed, a recent issue of the *Accounting, Auditing and Accountability Journal* (2005) has been focused on highlighting the limitations of the sacred and secular model. The present study contributes to this understanding by noting that within the Adventist context there is evidence of a complex relationship between sacred and secular processes that are not easily compartmentalised using a simple dichotomy.

The present study has highlighted that despite SHF's secular commercial operations the organization makes an important contribution to Adventism's mission. First, at the most general level the evidence provided indicates that secular operations of the SHF actually generate surplus to support sacred activities of the Adventist community. Second, that far from being antithetical to religious values, secular operations like the SHF are embedded within the Adventist organizational structure and operate with the same status as a department given to promoting sacred

concerns. Third, the study has revealed that the core teaching of the Adventist movement draws on the language, imagery and technology of accounting to depict core sacred activities in heaven.

The Adventist articulation of the heavenly audit using secular descriptors is ultimately directed at motivating church members to support SHF's profit-making activities via a number of means. These include encouraging members to embrace organizational change, support its leadership and management, accept some departures from traditional Adventist values, accommodate SHF's lack of enthusiasm for sectarian Adventism, overlook the absence of formal financial accountability, and ultimately to endorse the expending of profits to support Adventist-tagged humanitarianism. In an unusual twist, the SHF presents an example of economic practices being used to pursue sacred aims. Reflecting on his own study of the Jesuits, Quattrone (2004, p 674) noted that by working outside the limitations of the sacred-secular divide he discovered that "account-ing" among the Jesuits consisted of a "convergence of various instances and interests around a powerful and absolutist 'heading' – the idea of God." The present study has revealed that, far from endorsing a sacred-secular bifurcation, the evidence presented in relation to the SHF highlights a meshing of religious values and secular operations in ways that make it impossible to compartmentalise sacred and secular activities.

8.10 Conclusion

The evidence presented in this study in relation to Adventism and SHF highlights a church community that places a priority on the very technologies and systems that the sacred and secular model relegates to the margins of religious organizations. The

study into SHF revealed a harmonious co-existence of accounting practices and religious values within Adventism. It would be tempting for an uninformed observer or researcher to conclude from the absence of formal SHF reporting, that accounting and accountability are of secondary importance within the Adventist community. This study has shown that such a generalisation would be altogether misinformed.

The Adventist organization promotes the importance of accounting practices and efficient running of church owned industries and is prepared to make difficult decisions to ensure profitability even if this necessitates undertaking activities that challenge or depart from the church's traditional values and beliefs. Most church members continue to embrace the operation of SHF as Adventist despite changes to its organization and practices, the absence of formal reporting, and the fact that the business for the most part has discarded external cultural markers that previously linked the operation with Adventism. Church authorities and SHF management have been successful in maintaining member support and loyalty through a shrewd reporting of SHF achievements. SHF management presents minimal financial information to church members, but what little financial information is provided is woven within a two-part success narrative. First, church authorities and SHF management construct an elaborate narrative of socialising accountability proclaiming God's blessings on earth through the distribution and use of SHF profits to support the goals of the church and its humanitarian activities. The intensity of SHF's socialising accountability is a mirror reversal of the formal financial accountability one encounters in other like organizations (Irvine, 2005, Kreander et al, 2004, Lightbody, 2000a). Second, while church members are encouraged to be vigilant in achieving the Adventist mission on earth, they are simultaneously

challenged to focus their minds on accountability to God in heaven. SHF accountability is both implicitly and explicitly tied to the Adventist understanding of the investigative audit, the unique Adventist teaching which draws on the language and metaphors of accounting and accountability to explain heavenly activities and the Adventist mission.

The success of this two part narrative approach is particularly evident in how SHF management and Adventist leadership deal with Adventism's various orientations and understanding of SHF accountability. For while navigating between Adventism's orientations creates challenges, there are also opportunities. In particular it has allowed SHF's changing mission to be accommodated more readily within Adventism's boundaries and for a community orientated image of Adventist activity to be used within the general community. Finally, the chapter has shown that an ability of Adventist leadership to adapt SHF's socialising form of accountability and their understanding of accountability to God, to their current interpretation of SHF's role in the Adventist mission arguably reveals more about SHF accountability than the repeated assurances from management of SHF's charity status and financial successes.

¹ Laughlin (1988, 1990), Booth (1993, 1995) and Lightbody's (2000a) studies observed jurisdictional conflict between accountants and clergy. Such conflict would appear to be lower within Adventism, if the experience of two long serving Presidents of the SPD, in the period under study is typical. These two Adventist leaders began their careers within the Adventist church as accountants and were later ordained to the ministry.

² The term *social accountability* has not been highlighted in this study because it carries meanings associated with triple bottom line reporting. Refer to Section 5.1. Socialising accountability was introduced into the study in section 2.4.1.

³ Collison (2003) uses the term "propaganda" to describe organizational manipulation of information to support ideological decisions. The Adventist use of socialising accountability bears all the hallmarks of the notion of propaganda as used by Collison. However, the term is not applied to SHF in this instance because it carries overtones of intention to deceive and manipulate an audience. A key

assumption in this study is that as religious organizations, neither the Adventist church nor SHF, would deliberately set out to deceive.

⁴ Refer to Appendix 1 for statement number 24 on the “Fundamental Beliefs of the Seventh-day Adventist Church” regarding the teaching on the investigative judgement/audit.

⁵ Adventist Sabbath School occurs prior to the main church service and is considered to be the church at study. Sabbath School if numbers and space permit also occurs across different age levels.

Chapter 9

Conclusion

9.1 Introduction

Accountability has become a buzz-word in contemporary social discourse, capturing the imagination and interest also of accounting and accountability researchers. This interest in accountability has generated a plethora of inter-disciplinary studies on accountability and related themes, including some seminal studies focusing on accountability within religious organizations and communities (Booth, 1993; Laughlin, 1989; Irvine, 1999, 2005; Lightbody, 2000a, 2000b; Parker, 2001, 2002; Jacobs and Walker, 2004). Notwithstanding these studies, the role of accountability within religious organizations remains relatively under-researched prompting Quattrone (2004, p 2) to call on accounting and accountability researchers to consider how research into religious organizations can contribute to shedding “new light on the nature of accounting and accountability”. The present study responds to this call.

This study has explored the nature of accountability within the Sanitarium Health Food Company, a health food manufacturing business owned and operated by the Seventh-day Adventist Church in Australasia. SHF is one of the largest manufacturers of breakfast cereals and Soy products in Australasia. SHF is also one of the largest single businesses able to claim charitable status by virtue of its church ownership.

Regardless of what name it employs to promote its products – Sanitarium, Sanitarium Health Food Company, Sanitarium Nutrition Service, Australian Health and Nutrition Association Ltd – SHF has entered the lexicon of Australians and New Zealanders by means of its iconic products and trademarks such as Weet-Bix, Marmite and So-Good. SHF has influenced the eating habits of Australians and New Zealanders (Le Heron and Hayward, 2002; Veitch, 1985). The organization has played a key role in influencing the breakfast menu of the nation with its promotion of breakfast cereals and the introduction of Peanut Butter and Marmite. For many years, well ahead of contemporary health reformers, SHF has been at the forefront promoting vegetarianism and substitute meat products. SHF continues to capture public interest by linking their products with international celebrities, including cricket hero Brett Lee, leading entertainer and singer Delta Goodrum, and the New Zealand All-Blacks. However, the present study has highlighted that notwithstanding the publicity and association with celebrities and national sporting and entertainment icons, the public in general as well as the Adventist community remain uninformed regarding the commercial activities of this organization. SHF does not produce any formal reporting either of its financial or non-financial activities and accountabilities. The study revealed that while the organization appears to actively seek public recognition and respectability for its principle business operations, health values and charitable activities, it continues to seek anonymity with regards to its links with Adventism and avoids disclosing its common business accountability practices.

9.2 Research Process

The present study adopted a research methodology that combines historical and field research. The study made extensive use of published and unpublished sources. The

published sources, particularly those that feature within Adventist media, were treated as part of the archival evidence of the study, reflecting the approaches of recent accounting historians studying broader accounting and accountability issues (Ezzamel, 2005; Hoskin and Macve, 1986, 1988; Napier, 2006; Quattrone, 2004; Walker, 1998, 2003, 2008). The published sources were, for the most part, either produced by key authorities in SHF or the Adventist Church, or were responding to issues raised by the media and thus were used as “primary sources for rationales, meanings and interpretations” for the study (Napier, 2006, p 462).

The analysis of written sources was supplemented with data generated by ethnographic research and semi-structured formal interviews and informal discussions with key individuals in the Adventist church and/or SHF. The ethnographic material proved useful in gaining a more detailed understanding of the Adventist community’s teachings and beliefs that form what Niebuhr considered a religious community’s “internal history”. This internal history has proved pivotal for understanding the nature and practices of SHF accountability (Niebuhr, 1941, 1951; Hardy and Ballis, 2005). The interviews with select SHF and Adventist informants were conducted around a group a number of key questions (Appendix 5) and formed part of the iterative analysis of the historical data over the period of the study.

9.3 Limitations of the Study

This study has drawn on data regarding SHF that is accessible in the public domain. The organization and its financial activities are tightly guarded; past executive members interviewed recall not receiving detailed reports on the financial performance of the company. The information according to one informant is being

held under the “sweaty armpits” of a select coterie at the upper echelons of the organization. Ultimately a subsequent study relying on actual financial data is likely to shed more light on financial performance, returns on investments, risk, and the distribution of profits. One suspects that more detailed financial information is likely to highlight the gap between the sophisticated voluntary reporting that is heavily weighted toward socialising accountability and the internal accounting and control that is equally sophisticated but is currently not available to church members and is available to a select few.

However, the availability of formal financial reports would serve to highlight the similarity of SHF accounting practices with other secular organizations. More than this, it would provide numerical evidence to support the case detailed in the present study, namely that the organization operates on at least two levels: at a commercial level to generate profit, and as an Adventist institution to support the mission of the Adventist church.

9.4 Research Question Revisited

The study’s central research question has been concerned with understanding *the nature of SHF accountability*. This central question was supported by a group of sub questions relating to *the nature of SHF reports to the Adventist and general community, the accountability functions attached to SHF as a profit driven charity and the consequences of Church ownership on SHF’s accountability and reporting functions*. Each of the sub-group of questions was used to provide further understanding into *the nature of SHF accountability*.

This chapter focuses on the understanding that has been brought to the nature of SHF's accountability. An underlying feature of SHF's accountability and reporting practices is its voluntary nature. SHF's voluntary reports have been shown to be incomplete, fragmentary and thin on financial detail. On the other hand such voluntary reporting has drawn attention to SHF's underlying values and proved to be an effective means to explore the nature of SHF accountability.

A hallmark of SHF's accountability practices has been an emphasis on voluntary non-financial reporting, that has been strategically used within the Adventist media to show Adventist beliefs interacting with and influencing SHF business practices. The role and power of broader informal accountabilities have been highlighted in the study and have resulted in a number of key findings which the study labels as socialising accountability. The study has drawn attention to the critical role of socialising accountability when considering the nature of SHF accountability. For socialising accountability despite much change has enabled the SHF to maintain and successfully reproduce an image of its self as an Adventist institution within the Adventist constituency, despite the absence of formal reports.

The lack of formal SHF reports does not imply in this instance an absence of hierarchical accountability or distancing from the practices of accounting. For as shown the full rigour and most complete understanding of the nature of SHF accountability can only be understood within the context of an Adventist version of accountability to God. That in turn has been developed around the notion of the Adventist belief in a heavenly investigative audit. The study has shown that the nature of SHF accountability is most fully revealed when the control and

examination inherent within the investigative audit is combined with socialising accountability. It allows Adventist leadership and SHF management the opportunity to continue to define for the Adventist constituency a role for SHF as part of Adventism's mission.

The study has also sought to understand the nature of SHF accountability in the wider community. A range of government inquiries have highlighted community concern regarding accountability and transparency of the charitable and religious sectors. These inquiries have inevitably caused mainstream media to focus on SHF's relationship with the Adventist church and SHF's status as a charity. The study is now in a position to address those concerns. The findings into the central research question regarding the nature of SHF accountability will now be considered in more detail.

9.5 Voluntary Reporting

This study has focused on the voluntary public reporting practices of SHF. As a not for profit organization SHF is not required by law to report on its financial activities. SHF's legal obligations to regulatory authorities are met by two trustee companies submitting financial reports with nil balances (Appendix 2). Voluntary reporting practices provide challenges for researchers seeking to examine notions of accountability. However, while not for profit organizations are not required by law to report on their activities, it would be hasty to conclude that they are exempted altogether from reporting; there is an expectation that such organizations would provide some kind of reporting to their members. Voluntary reporting practices are particularly informative in highlighting accountability as a social and moral activity

based upon social expectation (Arrington and Francis, 1993a; Arrington and Francis, 1993b; Schweiker, 1993). Indeed, voluntary reporting presents a certain vantage point from which to explore broader notions of accountability and can be just as informative for understanding underlying principles, values and motivations through disclosures not driven by a need to conform to regulatory requirements.

While SHF does not produce formal reports of its commercial activities, this study has also shown that one should practise caution regarding this organization's attitudes to matters pertaining to accountability. This study reveals that despite the absence of formal reporting SHF and the Adventist community remain acutely sensitive regarding the imperative to be accountable, even though accountability is manifest in surprisingly innovative ways that draw heavily on religious belief and being accountable to God.

9.6 Socialising Accountability

A key finding of the present study is that, contrary to what one may expect of a very profitable international organization, SHF's primary mode of accountability consists primarily of incidental non-financial reporting. This study has revealed that despite the size of the operation, large number of employees, competitive position in the cereal and soy grocery market and importance of the business to the Adventist church, SHF provides no formal reports regarding the organization's activities either to the Adventist members or the general community. What financial information is supplied by SHF is erratic, fragmentary, short on financial detail and requires a longitudinal approach and use of multiple sources to interpret the information. In the absence of formal reporting the study has shown that SHF and the Adventist church

have made socialising accountability the key strategy for promoting SHF's role in the Adventist community.

A key finding of this study is that SHF elevates to centre stage a broad societal approach to accountability, while relegating the commercial aspects of its operation to the margins. A sprinkling of financial and commercial information does filter through to church members; however, this information is embedded within the socialising accounts aimed at reassuring the Adventist constituency both of SHF's financial health and contribution to Adventism's mission. SHF's non-financial accountability is linked to key Adventist teachings and beliefs, associated with health, humanitarianism and the church's self-proclaimed remnant status.

Despite the many changes evident within SHF in regard to the organization's non-financial accountability, including a public distancing from its Adventist heritage, SHF continues to receive the affection and support of the Adventist community. An important finding of the study is the demonstration of the power of socialising accountability within a religious community. Socialising accountability has enabled SHF to maintain, reproduce and manage its status as an Adventist institution and therefore remain within Adventist boundaries despite the many changes that the organization has undergone. The power and effectiveness of this socialising accountability is evident in the ongoing support and reciprocal stewardship of Adventists and the effective muting of voices critical of SHF's operation and reporting practices.

The study's finding relating to socialising accountability has implications for further research into the nature of accountability. These implications potentially can parallel the impact that research has had into triple bottom line reporting by broadening the focus of financial reports, so that there is now an expectation that triple bottom line reporting will be part of financial reporting. Notwithstanding a need for SHF accountability to include formal reports, the socialising accountability revealed in this study has shown that much can be learnt about an organization's priorities, mode of operation and organizational values beyond what can be derived from hierarchical accountability that is associated with formal reporting. Arguably it is within socialising accountability that understanding can be gained into accountability's moral and social dimensions (Arrington and Francis, 1993a; Arrington and Francis, 1993b; Schweiker, 1993). Socialising accountability may therefore become part of the study of accountability and prompt ways of considering how accountability and stewardship can be linked to broader social objectives beyond the confines of hierarchical accountability (Chen, 1975).

9.7 Adventist Hierarchical Accountability

SHF maintains a system of formal hierarchical accountability system by the very nature of Adventist bureaucracy, even though the formal output of this system is not visible to shareholders and the general community. The ordinary members of the church have no way of assessing SHF management performance. SHF adheres to a policy of not providing formal reports associated with measurement of performance and productivity that make use of technical calculative practices such as accounting. The Adventist Church and SHF nevertheless adhere to the principles of accountability and are rigorous about their accounting practices. As well, church

leaders would argue that Adventist accountability is made even more stringent by the Adventist understanding of individual and institutional accountability to God. The study has noted that in the Adventist belief system, accountability to God is the all-important teaching around which the Adventist world view revolves. The Adventist teaching of a literal investigative audit that commenced in 1844 and currently is being conducted in heaven draws on the rigours of accounting and the “awfulness of accountability” (Hoskin, 1996, p 265). This includes an obligation for those granted heavenly citizenship to examine the heavenly “book-keeping system,” to ensure the fairness and exactness of God’s justice (*Record*, 28/7/1975, p10). In the absence of formal SHF reports on earth, Adventists teach that ultimately a more rigorous accountability is invoked by the investigative audit whereby all matters pertaining to SHF will be revealed in the “realms above” (*Sanco News*, 1996, Vol 28(3), p 8). SHF hierarchical accountability becomes submerged within an Adventist discourse of ultimate accountability to God in the heavenly audit.

The Adventist understanding of ultimate accountability to God is a powerful instrument of social control that regulates the actions of individual as well as organizational practices. Social control is achieved by linking evidence of God’s leading of the Adventist church with Adventist organizational leadership (White, 1915, 1948c; Parr and Lister, 1995). SHF management and Adventist leadership are able to use the power of self-examination implicit in the notion of the heavenly audit in combination with socialising accountability to invoke trust in Adventist management and faith in the mission of the Adventist church. Such belief allows Adventist leadership and SHF management the freedom to change the focus of previously understood notions of socialising accountability on the grounds that these

changes ultimately will be vetted by the Heavenly Accountant (*Record*, 4/6/1973, p6 28/7/1975, p 10; *Sanco News* Vol 1996, Vol 28 (30, p 8; White, 1998).

The capacity for accountability to reproduce itself within organizational structures and processes noted by Roberts (1991) can also be observed in the accountability practices within the Adventist community. SHF reporting practices rarely depart in any significant way from what one informant considered as church “type”. The one unchanging feature of SHF’s accountability is the invisibility of its financial reporting; church leaders remain reluctant to disclose even the most basic regular information on SHF business activity. While the invisibility of financial reporting appears incongruous with Adventism’s focus and identification with the investigative audit, this absence of formal reporting has not prevented an active management of wider societal accountability of SHF’s activities. Based on the informal processes of socialising accountability, such reports have been developed into an art form by SHF management and Adventist leadership. The voluntary and informal nature of socialising accountability allows SHF to define its reporting to different circumstances and tailor their accountability emphasis to suit particular audiences. It is also worth noting that because SHF provides no formal reporting of its activities, its socialising accountability accordingly becomes more flexible and amenable to being adapted to fit within Adventist boundaries. The capacity for socialising accountability both to reproduce accountability and to adapt to change is a key finding of this study. The Australian government interest in the charitable sector (refer Chapter 6 footnote 13) raises the future possibility of increased regulation and monitoring of SHF activities. The capacity of the socialising accountability identified in this study to react to such change offers scope for further research.

9.8 Sacred and Secular Divide

A recurring theme in the present study has been the fact that within Adventism religious teachings and practices constantly overlap with secular activities. The study has highlighted that despite the fact that the Adventist organization has as its mission to warn the world of end-time events, church leaders and members simultaneously embrace and celebrate God's leading and blessing associated with commercial activities including SHF's financial achievements. The study has shown that within Adventism the theoretical division between sacred and secular is altogether missing. SHF operates as a department of the church alongside other church operations focused on promoting the movement's religious activities. The present study has presented evidence in relation to the SHF that highlights a meshing of religious values and secular operations in ways that make it difficult to compartmentalise church activities into categories of sacred and secular.

In this context, one of the most significant findings of the present study in relation to the sacred-secular division is the fact that Adventism has incorporated into its core teachings the language and imagery of secular accounting and accountability practices. As it has been pointed out, Adventists are not alone in promoting the ideas of judgement and accountability to God but they alone believe in a literal investigative judgement and identify a specific starting time for this event. The Adventist teaching of the investigative audit/judgement not only sets the Adventist movement apart in theology from its denominational counterparts, but also in the way an essentially secular notion of the audit is transformed into an instrument of social control.

The study has shown that SHF management and Adventist leadership have developed an innovative model of socialising accountability that blurs the sacred and secular. In so doing the study highlights the limitations of a theoretical framework that compartmentalises sacred and secular activities.

9.9 SHF Response to the Public

A number of questions dominate discussions whenever SHF's charitable status is raised in the mainstream media. A case in point is the exchange on 2 March 2001 between an SBS reporter, Geoff Carmody from Access Economics and Rodney Brady, Treasurer of the South Pacific Division of SDAs. The exchange came about in response to Kellogg Pty Ltd's claim that Sanitarium has an unfair advantage against competitors in the breakfast cereal market because it is not required to pay income-tax.

Geoff Carmody: No-one knows what Sanitarium does with its profits except Sanitarium. They do not even have to file an income tax return. Nobody knows what they do with their revenue. I'm not saying that they don't allocate it to charitable activities, but if they do, what have they got to hide?

Rodney Brady: There isn't a requirement to do so. As a charity, under the regulations, that is not a current requirement for us to do that for everything. We do it where it has been asked for.

Reporter: It may not be a legal obligation, but don't you have some sort of moral obligation to the public to tell the taxpayer - after all, a lot of this is taxpayers' money - where exactly that money is going?

Rodney Brady: That's partly what this charities inquiry is about at the moment, because what's been identified is that in the charities area there is a need sometimes for some of these issues to be aired. (*SBS Report*, 2001)

The exchange highlights key questions that become recurring themes in discussions about SHF. The study is now in a position to summarise SHF responses to these perennial questions.

Why doesn't SHF pay tax? SHF avoids the payment of tax because it is legally classified as a department of the Seventh-day Adventist church. While this intimate link with the Adventist church is not widely known in the general community, it has been cultivated in various ways within the Adventist community so as to create a sense of reciprocal-stewardship and to quell criticisms of the organization by church members. However, the study has shown that the wider community and some Adventists continue to raise concerns because of the organization's refusal to be transparent regarding SHF profits and their use. SHF socialising accountability succeeds in silencing the committed Adventist majority and draws their support. However, the fact that questions regarding SHF profits continue to be asked suggests that ultimately socialising accountability is no substitute to financial accountability.

How has SHF managed to avoid formal reporting of its financial performance to the Adventist constituency? As an unincorporated business operating as a department of the Adventist church SHF is not obliged by law to provide formal reports, and does not voluntarily do so. The Adventist church's official position is reflected in the church's submission to the *1994 Industry Commission Inquiry*. Church leaders believe that the Adventist church's current internal audit processes provide adequate regulation and monitoring. Accordingly the trustee companies that attend to SHF's business do not conduct any business in their own right and the financial reports that they provide show nil balances. However, this study has highlighted that the wider

community remains critical of SHF's minimal reporting practices and therefore SHF will continue to dominate public discussion and official inquiries into the accountability and transparency practices of not-for-profit organizations. The fact that a number of informants also were critical of church authorities and SHF management for their reluctance to embrace greater transparency in their reporting should not be overlooked. In the context of meeting community standards with regards to financial reporting and occupational health and safety, one former SHF executive commented, "Thank God for the government, or nothing would have been done". This respondent believed that SHF will change its reporting practices only if compelled by law to do so.

How does SHF justify using its profit to underwrite its own and the Adventist operations? SHF management and Adventist leadership maintain that SHF profits are to be used to provide "relief for suffering humanity." Accordingly church authorities justify allocating the bulk of SHF profits to support church-run charitable activities. This is also the understanding of the Adventist constituency based on the informal socialising accountability reports. For the period under study the SHF felt little obligation to specify how profit was being used as it was widely understood within the Adventist church that it was used to support the Adventist church's mission. This study has revealed that the use and non disclosure of SHF profits remains the most controversial and potentially damaging issue facing SHF and the Adventist church. The use of the purpose based definition of charity by the Australian Taxation Office provides for only one measure of SHF accountability. The failure to disclose details as to how SHF profits are used is a matter that neither SHF nor the Adventist church can afford to ignore.

For the general community, the nature of SHF's accountability ultimately being shaped by Adventism's belief in a heavenly investigative audit that includes for Adventists an individual and corporate accountability to God, will never be widely understood or accepted. An absence of formal SHF reports would lead the general community to conclude that accountability and accounting are not valued within Adventism. However for the Adventist constituency such an absence does not imply a rejection of accounting technology. The heavenly investigative audit is driven by a teaching that embraces rigorous application of accounting language and processes. For Adventists the absence of formal reporting makes even more visible SHF's socialising accountability developed around informal and voluntary societal accountability. Socialising accountability has made it possible for SHF to promote a shared connection with Adventism's mission and ideology. It is an accountability that draws strength from the movement's past in terms of endorsing SHF and Adventist leadership. More importantly, socialising accountability has allowed Adventists generally and the SHF specifically to continue business as usual on earth while deferring accountability to God in heaven.

Appendix 1

Fundamental Belief of SDAS

The teaching on the investigative judgement/audit is listed as number 24 in the *"Fundamental Beliefs of the Seventh-day Adventist Church"*. It is Adventism's only unique doctrine and is clearly outside of orthodox Christianity's understanding of Christ's atonement and heavenly activity.

"24. Christ's Ministry in the Heavenly Sanctuary:

There is a sanctuary in heaven, the true tabernacle which the Lord set up and not man. In it Christ ministers on our behalf, making available to believers the benefits of His atoning sacrifice offered once for all on the cross. He was inaugurated as our great High Priest and began His intercessory ministry at the time of His ascension. In 1844, at the end of the prophetic period of 2300 days, He entered the second and last phase of His atoning ministry. It is a work of investigative judgment which is part of the ultimate disposition of all sin, typified by the cleansing of the ancient Hebrew sanctuary on the Day of Atonement. In that typical service the sanctuary was cleansed with the blood of animal sacrifices, but the heavenly things are purified with the perfect sacrifice of the blood of Jesus. The investigative judgment reveals to heavenly intelligences who among the dead are asleep in Christ and therefore, in Him, are deemed worthy to have part in the first resurrection. It also makes manifest who among the living are abiding in Christ, keeping the commandments of God and the faith of Jesus, and in Him, therefore, are ready for translation into His everlasting

kingdom. This judgment vindicates the justice of God in saving those who believe in Jesus. It declares that those who have remained loyal to God shall receive the kingdom. The completion of this ministry of Christ will mark the close of human probation before the Second Advent. (Heb. 8:1-5; 4:14-16; 9:11-28; 10:19-22; 1:3; 2:16, 17; Dan. 7:9-27; 8:13, 14; 9:24-27; Num. 14:34; Eze. 4:6; Lev. 16; Rev. 14:6, 7; 20:12; 14:12; 22:12.)”

Appendix 2

SHF Financial Reports

Financial Report – 30 June 1999 of the Australasian Conference Association Ltd

– ACN 000 003 930

Financial Report – 30 June 2002 of the Australian Health and Nutrition

Association Ltd – ABN 63 096 452 872

A key feature of these financial reports is the nil balances. The reports are representative of other reports of these incorporated companies. The reports are significant because they highlight the limited amount of financial information available regarding the SHF, both to the Adventist and general community. The reports also reflect the organisational structure surrounding SHF. SHF as an unincorporated business entity operates as a department of the Adventist Church and is not legally required to provide formal reports and does not voluntarily do so. The reports in Appendix 2 are those of the trustee companies that provide SHF's legal face. They do not conduct any business in their own right and the nil balances meet their legal obligation. No further information is supplied voluntarily.

NOTE:

Appendix 2 is included in the print copy of the thesis held in the University of Adelaide Library.

Appendix 3

SDA Submission to Charities Bill 2003

Submission by the Adventist Church to the draft *Charities Bill 2003* with a covering letter by Mr Rodney G Brady, Treasurer of the SPD.

This document is the Adventist Church's submission to the Commonwealth Government draft *Charities Bill 2003*. It is significant to this thesis as it represents the official Seventh-day Adventist Church's position on charity. The submission highlights that charity begins from within and radiates to all. It thus provides a rationale for using SHF profit to support Adventist institutional and organisational activity. The submission also highlights the right of charities to engage in commercial activity, even those that are large in scale, as long as they further the charity's dominant purpose.

NOTE:

Appendix 3 is included in the print copy of the thesis held in the University of Adelaide Library.

Appendix 4

“Accomplishments and Ideals”

Paper presented by G. T. Chapman at SHF Managers Convention held at Cooranbong, NSW – 1936

The Chapman paper provides critical evidence into Adventist’s ongoing cultural and emotional attachment to the SHF. It indicates that detailed information in regard to SHF profit and its systematic use is available and known within the Adventist hierarchy. The Chapman paper highlights links between SHF profit and Australasian Adventism’s institutional development. While lacking the detail of the Chapman paper, SHF’s societal accounting in the period under study (1970-2005) continues to highlight links between SHF profit and Adventism’s organisations and institutions.

NOTE:

Appendix 4 is included in the print copy of the thesis held in the University of Adelaide Library.

Appendix 5

Semi-Structured Questions for Interviews

Begin by asking for background information – eg; relationship to the church, employment, links if any to the SHF etc.

- 1) What is your understanding of the Adventist Church's notion of stewardship and accountability?
- 2) Is the SHF a 'religious/Adventist' institution? What makes the SHF 'Adventist'?
- 3) What do you perceive to be the mission of the SHF?
- 4) How successful has the SHF been in meeting the goals of its mission?
- 5) What role does the SHF play in the Adventist Church in the SPD? How has this role changed?
- 6) How dependent is the SPD of the Adventist Church on SHF profit and operations?
- 7) What importance do you place on the SHF's communitarian role?
- 8) Do you have any idea how much the SHF contributes to the Church annually and where the funds go?
- 9) Few people in the Adventist Church would know much detail in regard to the SHF's contribution to the church, why do you think this is?
- 10) One of the main reasons SHF gets mentioned in the media is that they do not pay tax do you have a view on whether the SHF should pay tax?
- 11) What level of disclosure in regard to the SHF's activity would you be satisfied with?
- 12) Why do you think that the Adventist community pays little attention to governance of their institutions and reporting issues?
- 13) The Church over the last twenty years has sold many of its institutions including parts of the SHF. Upon what basis would you ever support a sale of the SHF?
- 14) Do you know anyone else who may be able to help me deal with these types of issues?

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