Balanced Controls and the Financial Growth of the Kenyan Church

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Abstract

The purpose of this study was to examine the influence of balanced controls on financial growth in the Kenyan church. This was a descriptive correlational study which adopted a positivist paradigm. A stratified random sampling was used to draw a sample of 95 bishops and 387 clergies from a population of one hundred and twenty-six (126) Bishops and four thousand, nine hundred and fourteen (4914) clergy respectively. A structured questionnaire was used to collect data from the respondents. Frequency distributions, percentages, and means were used in descriptive statistical analysis while correlations, Chi-square and Analysis of Variance (ANOVA) were used for inferential statistical analysis. Regression was used to test the hypothesis. The statistical program for social sciences (SPSS) was used as a tool for statistical analysis. The findings revealed that balanced controls influence the financial growth of the church in Kenya. The study recommends that church leaders should put in place adequate controls coupled with the requisite staff training to equip church staff with the necessary skills to give them the ability to adequately and competently execute their duties and responsibilities. The church should also ensure an enforcement of control measures to reduce the perpetuation of fraud, which leads to the loss of church resources. The study recommends further research to determine the specific impact of internal and external controls on the church's financial performance in Kenya.

Keywords: Church Leadership, Organizational Control, Financial Growth, Organizational Resources

Introduction

Organizational controls refer to the formal, information-based procedures used by managers to maintain or alter the patterns in organizational activities, which ultimately help strategic leaders build credibility, demonstrate the value of strategies to the firm's stakeholders and promote and support strategic change (Volberda, Morgan, Reinmoeller, Hitt, Ireland & Hoskisson, 2011). According to Zabihollah (2002), organizational control process within a larger organization typically requires the use of systems that assist a manager in analyzing a considerable amount of processes about how an organization and its employees are functioning in order to make appropriate administrative decisions. He explains further that organizational control process includes any actions designed to ensure that an organization's plans are carried out the way they are designed to. According to Hitt, Ireland, and Hoskisson (2005), organizations have multiple resources, ranging from financial, human, to social capital, and managing them effectively may be the most important strategic leadership task. However, the reasons for the establishment and analysis of control systems have moved from strictly quantitative in nature to include qualitative measures, such as performance bonuses based on the bottom line net income, to efforts that generate increased satisfaction of customers with the quality of products or services (Body, 2008).

All organizations, whether profit or non-profit-oriented have raison d'être, also called organizational mission. The church is no exception. As Leonard, Epstein and Tritter (2007) explain, a church belongs to a group of not-for-profit organizations which are purely social impact-focused, and whose purpose is to generate improvements in the lives of individual church members, organizations, hosting communities and the society as a whole. Regardless of the classification, any organization needs proper controls to ensure an effective management of its resources in order to effectively execute its mandate.

Statement of the Problem

The growth and development of any organization are dependent, to a large extent, on the effective management of its resources (financial and otherwise), also called control. The control itself exists to keep performance or a state of affairs within what is expected, allowed or accepted. The effectiveness of an organization's control systems can be measured by how well its objectives are achieved and how effectively the risks are addressed and entail the setting of objectives, budgets, plans and other expectations to establish effective criteria for control. There is a general consensus among business managers and management practitioners, that any organization with no control systems is exposed and vulnerable to failure due to the loss of its financial assets and general resources through theft or mismanagement, adulteration or doctoring of organizational documents for undue advantage, non-implementation of accounting policies as well as non-adherence of budgets and implementation of planning policies. It thus makes sense to argue that the lack of control in any given organization makes the perfect setting for failure. All these anomalies are what this work tries to examine.

Purpose of the Study

The purpose of this study was to determine how balanced controls influence the growth of the financial resources in the Kenyan church.

Scope of the Study

This study covered five Christian church denominations in Kenya; that is, the Roman Catholic Church, the Anglican Church, the Presbyterian Church of East Africa, the African Inland Church and the Methodist Church, whose combined membership constitute 53.8% of the total number of Christians in Kenya, all registered with the National Council of Churches in Kenya (NCCK). It surveyed leaders at three different levels of church leadership in Kenya; that is, Bishops, overseers, and pastors, depending on the specific denomination, and sought to determine how balanced controls influences the growth of the church's financial resources in Kenya.

Literature Review

Organizational controls refer to the process by which an organization influences its sub-units to behave in ways that lead to the attainment of the organizational goals and objectives, and which (when properly designed) lead to better performance, as they enable the organization to better execute its strategy (Carpenter, Bauer & Erdogan, 2014). Draft and Marcic (2011), define controls as the formal information-based procedures used by managers to maintain or alter patterns of organizational activities. According to Hitt, Ireland, and Hoskisson (2005), organizations have different types of resources, ranging from financial, human, to social capital, and managing them effectively may be the most important task assigned to any leader. They explain further that traditionally, control processes are primarily quantitative in nature and include budgets, standard costs systems, and market quotas. However, the reasons for the establishment and analysis of control systems have moved from strictly quantitative in nature to include qualitative measures, such as performance bonuses based on the bottom line net income, to efforts that generate increased satisfaction of customers with the quality of products or services (Body, 2008).

Different organizations use different methods for control, including balanced scorecard, Six Sigma, and other such measures, but the main goal is to ensure financial controls, customer service and control of internal business processes (Volberda, Morgan, Reinmoeller, Hitt, Ireland & Hoskisson, 2011). According to Shield and Kato (2000), balanced controls help organizational leaders to build credibility, demonstrate the value of the strategies to the firm's stakeholders and promote and support strategic change, but most critically, they provide the parameters within which the strategies are to be implemented as well as the corrective actions to be taken when the implementation related adjustments are required.

According to Shields, Deng, and Kato (2000), balanced organizational controls help the organization's leaders in building credibility, demonstrating the value of the strategies to the firm's stakeholders and promoting and supporting strategic change. Most critically, controls provide the parameters for implementing strategies as well as the corrective actions to be taken when implementing related adjustments acquired. Rostker, Leonard, Younassi, Arena, and Riposo (2009) explain that organizational controls provide the parameters for implementing strategies as well as the corrective actions to be taken when implementation rated adjustments are required.

According to Weibel (2007), organizational controls take two main angles: financial and strategic, where financial controls focus on both the short and long-term financial outcomes, while strategic controls entail the distribution of roles and responsibilities and concentration of strategic actions. He explains further that emphasizing on financial controls produces more short and long-term risk-averse managerial decisions because financial outcomes may be caused by reasons/events beyond the leader's direct control. Kuratko, Ireland, and Hornsby (2001) conclude by giving the measures of organizational control as financial (which focuses on cash flow, return on equity and return on assets); customer (which assesses the ability of the organization to anticipate customer needs, effectiveness of the customer service process, percentage of repeat business and quality of communication between the organization and its customers); internal business (which analyses asset utilization improvement, improvement of employee/follower morale, and changes in turnover rates) and lastly, learning and growth, which looks at improvements in innovation ability, number of new products compared with the competitors and increases in employee skills (Zabihollah, 2002).

According to Hitt and Ireland (2012), when properly designed and used, organizational controls lead to improved efficiency in strategy execution, help the organization in putting into place measures which aid in determining if existing measures and procedures are able to effectively manage the risk to an acceptable level, and aids in the detection and prevention of fraud, which ultimately leads to financial growth. This study looked at the different controls in the church and how these controls have all worked together to influence the church's financial growth

Financial Growth

Financial growth is key to any organization's holistic growth, is measured in terms of an organization's financial stability and defined in terms of the organization's ability to facilitate and enhance economic processes, manage risks, and absorb shocks (Schinasi, 2004). According to Akrani (2011), financial stability is considered a continuum in that it is changeable over time and consistent with multiple combinations of the constituent elements of finance. For this study, the financial growth in the church was measured by examining the changes (increase or decrease) in church income, new sources of church income, different measures for management of church resources (cash flow statements, income statements, balance sheets, record keeping, budgeting, performance management) and financial audits.

Justification for Organizational Controls

While many people think that organizational controls are only for profit-making organizations, Sigel (2006) explains that they are also relevant to a broad spectrum of organizations. According to Boddy (2008), public and not-for-profit enterprises need control as much as any other organization, although the measures often differ. He goes on to explain that although historically many organizations focus on inputs, organizations are increasingly moving the focus of control towards measuring outcomes, such as quality of service (efficiency) and time taken for service delivery. According to Daft and Marcic (2011), the choice of measure is often contentious, since stakeholders in the organization may opt for different measures and there may be uncertainty about which activities contribute most to performance and ultimately growth.

Types of Control Measures

Several control measures are used by organizations and include:

Feed-Forward Control

A form of control that anticipates problems before an activity with the aim of preventing the problem rather than waiting to correct them after the damage has been done, and includes measures in which systems are put into place which help in reducing the risk of financial losses, costly repairs or costly delays which happen when breakages or unanticipated losses occur (Boddy, 2008).

Progress Controls (concurrent or emergent controls)

These type of controls take place while an activity is in progress, and entails regulation, detection, and correction ongoing activities to ensure that they conform to organizational standards, and are designed to ensure that employee or follower activities produce the correct results (Barnet, 2014; Boddy, 2008; Johnson, 2012).

Post-Mortem Control

This is a control system which takes place after a process is complete and is also known as post action control. He explains that this system attempts to measure the results of certain actions, and if problems are noted, corrective action is taken to prevent a repeat of such a mistake in the future (Johnson, 2014).

Advantages of Organizational Controls

According to Edmunds (2015), while it is not the goal of the leaders in any given organization to micromanage the employees, controls are necessary in order to maximize on organizational efficiency and productivity, which calls for the creation of effective management controls, which includes strategic objectives, operational policies and employee guidelines, which help the leaders to direct rather than just limit the activities of the employees. As Siegel (2006) explains, although organizational controls are faced with numerous challenges in their implementation, when they are well designed and implemented, they provide several benefits as follows: Stability in Organizational Finances (Edmunds, 2015; Akrani, 2011; Boddy, 2008), improved costs and productivity controls (Siegel, 2006; Ireland et al, 2009), growth in production and operational efficiency (Edmunds, 2015), quality control (Akrani, 2011; Edmunds, 2015), and compliance with the laws of the land (Chand, 2015).

Research Methodology

This was a descriptive correlational study and sought to determine how balanced controls influences financial growth in the Kenyan church. The questionnaires were distributed to the respondents who were identified with the help of respective churches headquarters and regional offices. A total of four hundred and eighty-two questionnaires were issued (95 for bishops and 387 for clergy). Out of these questionnaires, a total of three hundred and thirty-one questionnaires were returned making an effective response rate of 69%.

Results and Findings

In seeking to analyze the financial control measures used by the church, two main measures were analyzed; Internal and external audits. The findings indicated that64% of the respondents used internal control measures while 34% of the respondents indicated that they used external control measures. These findings are presented in the table below.

Financial control measures

	NA		**SE**		**FE**		**GE**		**Total**		
Effective Control Measures	**f**	**%**	**f**	**%**	**f**	**%**	**f**	**%**	**f**	**%**	**Mean**
Internal audit measures			5	2	159	64	83	34	247	100	3.32
External audit measures	25	10	79	29	60	22	106	39	270	100	2.91

Effect of Control Measures

This section sought to determine the effect of the control measures implemented by the church from the respondents involved in the study. As shown in the next table, 81% of the respondents felt that the implemented control measures had contributed significantly to the church's financial growth while 2% disagreed with the statement. 33% of the respondents felt that the control measures had enabled the church to meet its financial goals. However, 65% of the respondents disagreed with the statement.

Testing Hypothesis

H_{o5}: Establishing balanced organizational controls in the church has no significant influence on its financial growth in Kenya. In order to test this null hypothesis, a regression analysis test was carried out. The results show that the organizational controls were a strong predictor of the church's financial growth ($F (2,273) = 61.468$; $R^2=.215$; $p<.01$. The predictor variable indicated that 21.5% of the variance in financial growth was due to organizational controls, while the remaining 78.5% could be due to the extraneous variables. This is outlined in Table 1.

Table 1: Regression for Balanced Church Controls and Church Financial Growth

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.464[a]	.215	.209	.269

a. Predictors: (Constant), the control measures are have contributed significantly to the church's financial growth, the control measures have enabled the church to meet its financial goals

Coefficients of Balanced Church Controls and Church's Financial Growth

The coefficient table indicates the degree of relationship between each variable that represents the financial growth of the church. The constant is 1.745 while the variables which are statistically significant for the equation were: With every implementation of the church system for the management of its resources, the control measures have enabled the church to meet its financial goals by 0.481 units and the control measures have contributed significantly to the church's financial growth by 0.265 units. The findings are presented in Table 2.

Regression Equation:

$Y= a+ bx_1+bx_2$

System for the Management of Church Resources= 1.745+**bx_1 (0.481) +bx_2 (0**.265**)**

Table 2: Coefficients of Balanced Church controls and Church Financial Growth

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.745	.124		14.061	.000
The control measures have enabled the church to meet its financial goals.	.481	.056	.662	8.618	.000
The control measures have contributed significantly to the church's financial growth.	.265	.040	.510	6.646	.000
a. Dependent Variable: Churches have a system for the management of its resources					

Since all the tests conducted revealed a significant relationship between the balanced organizational controlsand its financial growth, we reject the null hypothesis.

Discussions

When asked whether the church had a system for managing its resources, seventy-five percent (75%) of the respondents agreed, eight percent (8%) disagreed, while seventeen percent (17%) failed to respond to the question. Financial management systems are designed to track an organization's expenditure and are tied to the programs and projects to provide timely and accurate information. According to Volberda *et a*l (2011), financial system provides useful financial information for an organization's decision making and reduces the amount of time spent on bookkeeping by automating tasks, which helps in identifying, perfecting and effectively managing the financial system of the church, which in turn helps in ensuring that the mission and vision of the church is achieved. From the findings, it was established that record keeping was largely used in financial control with 79% of the respondents indicating it being used to a great extent. As Kuratko *et al.* (2001) explain when the audit measures are properly designed, organizational control lead to better performance because an organization becomes more efficient in the execution of its strategy. Mathura (2009) adds that organizational controls provide significant benefits, particularly as they help the organizational growth to stay on track with respect to its strategy.

Conclusions

The findings indicated that the balanced church controls help it to stay on track with respect to the achievement of its goals and objectives. It is also important to note that controls come at a cost and involves trade-offs between having and not having them. As demonstrated in this study, the different churches have varied sources of income ranging from offerings, tithes, and donor funding. It is important to note at this point that these multiple sources of finance could diminish or dry-up altogether with time if the appropriate measures are not taken to ensure proper utilization and general management of these incomes and come up with other different ways of raising money to support the different programs within the church. On the other hand, good management of the church's financial resources is a key tool in ensuring the financial growth of the same, and ultimately the achievement of the church's financial goals and objectives.

Recommendations

The study recommends that the church should concentrate on creating effective management controls, including strategic objectives, operational policies, and employee guidelines, which will help in directing the activities of the church's employees, and developing rules, guidelines, procedures, limits or other protocols for directing the work and processes of employees and the utilization of church resources. The church leaders should ensure effective control systems are put in place to ensure that the church's resources are well utilized.

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