From secrecy to transparency: Accounting and the transition from religious charity to publicly-owned hospital

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A B S T R A C T

This paper examines the experiences of a publicly owned hospital which had formerly been part of a religious order of nuns. This paper presents novel findings to extend our understanding of the emergent theory of transparency in the public sector. The literature on secrecy and transparency is drawn upon to inform a case study investigation of the use of accounting under both forms of ownership. This reveals both the continuing influence of this hospital's prior existence and the difficulties of adapting to public ownership. The findings reveal the tensions of the change from secretive religious organisation and history of parsimony to current public sector organisation. The end state of public sector owner-ship brings its own difficulties, with accounting systems failing to achieve the aim of transparency.

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1. Introduction

This paper addresses the increasingly topical issue of transparency (Heald, 2006a, 2006b, 2012; 2013; Hood & Heald, 2006; Meijer, 2009, 2012, 2013) in publicly owned entities. The nature of transparency in organisations is a matter of some complexity (Hood, 2010), which some commentators regard as overvalued (Etzioni, 2010) and which some organisations apply with a lack of subtlety (Roberts, 2009). The specific focus of this study is on transparency of accounting information in health care, which is recognised as an area of particular complexity for public sector accounting (Blomgren, 2007; Brinkerhoff, 2004; Knudsen, 2011; Levay & Waks, 2009). While the subject of health care accounting has attracted the attention of many researchers over the past few decades (Broadbent & Guthrie, 2008), the major efforts of researchers to date have been on publicly-owned hospitals. In this paper we examine the experiences of an organisation which has shifted from the voluntary, non-profit, charitable sector to the public sector. Voluntary (non-publicly owned) hospitals play a significant role in health care in Ireland with five of the six largest Dublin hospitals still having voluntary status. This paper contributes to our un-derstanding of change processes in public service organisations, particularly as they affect accounting. It also extends our understanding of the nature of non-profit organisations and the challenges they face in contemporary society. This paper also contributes to the emergent theory on transparency by extending its primary emphasis on external accountability to include internal transparency and the visibility of accounting to key actors *within* public service organisations (Heald, 2012).

This paper proceeds in the following stages. In the first section, the theoretical framework of the contrasting worlds of *religious secrecy* and *public sector transparency* are explored. Second, the research context of the non-profit organisation in this

study is examined and the research design — a field study, based on a case study hospital over the years 2002–2013 is explained. In the third section of the paper, there is an analysis of the experiences of this hospital on its move from the non-profit to the public sector, through the lens of key actors involved in the case study hospital. Finally, conclusions are set out.

2. Theoretical framework: secrecy, transparency and visibility

The specific focus of this study is on an acute non-profit hospital, which was founded and managed by a religious order until its transfer to public sector ownership in 2001. The distinctive values of religious organisations (Booth, 1993; Laughlin, 1990; Wolfe & Pickard, 1980, p.61) present an interesting accounting research context, which remains an area of relative neglect (Carmona & Ezzamel, 2006; McPhail, Gorringe, & Gray, 2005; Parker, 2002). The manner in which we study and understand the work of religious organisations is becoming more sophisticated, as we shift from earlier, simplistic notions of how religious organisations conduct themselves (Jacobs, 2005). This issue is addressed in this paper.

The particular concept this paper seeks to add to is a more comprehensive understanding of the role of *secrecy* in the work of religious organisations (Simmel, 1906; Simmel, cited in Wolff, 1950). The attribute of secrecy in organisations generally, and specifically in religious activity, contrasts with the public sector preoccupation with *transparency* and merits further study (Birchall, 2011; Costas & Grey, 2014; Hood, 2006). This tension is exemplified in this paper, by examining the practices of this voluntary hospital which has moved from religious to public sector ownership, at a time when the public sector is in the midst of significant managerial reforms. These issues are explored further in the context of (1) accounting and secrecy in religious organisations, and (2) public sector transparency, especially in the field of health care.

2.1. Accounting and secrecy in religious organisations

There is a limited literature concerned with accounting in religious organisations (Abdul-Rahman & Goddard, 1998; Quattrone, 2004) despite the social significance of religious institutions (Parker, 2002). In his seminal study of accounting in churches, Laughlin (1990) observed a fundamental distinction between beliefs in spiritual issues (the sacred) and systems used to support them (the secular). This distinction of sacred and profane draws on Durkheim's thesis that all religion has this fundamental characteristic. In Laughlin's (Durkheim, 1975) terms, accounting is seen as a support activity and is profane: it is an irrelevancy to the core of the church organisation. There is some, limited support for this distinction as an explanation of how accounting is used within religious organisations. For example, an early study by Wolfe and Pickard (1980) documented the limited role for accounting in the Church of Scotland. This study revealed arcane accounting practices, which narrowed accounting to specific funds (general and specific trusts) located within specific boards of the church, which removed it from the central activity of the church and rendered it invisible to a core membership. Also, Laughlin's own (1988) study of the Church of England noted how the church commissioners used its accounting system to 'purposefully' make themselves accountable both to the sacred church and to the profane state to secure its continued existence. In this study, Laughlin found that the accounting system was designed to address accountability concerns rather than internal decision-making. However, Espejo, Manjón, and Sánchez-Matamoros (2006) found that there was a shared perception that rendering accounts was part of the sacred sphere, yet accountability was considered a profane tool.

However, for some time before this Booth (1993) argued that the construct of the secular divide of the 'sacred' and the 'profane' should simply be regarded as a theoretical ideal. Furthermore, Jacobs (2005) has challenged this dichotomy as an oversimplified representation of organisations which interact with employers, members, the wider public, and the state in complex ways. More recently, Bigoni, Gagliardo, and Funnell (2013) find that secular accounting and accountability practices were not considered as inevitably antithetical to religious values, as would be expected by Laughlin and Booth. The 'sacred/profane' dichotomy sheds light on the practices of religious organisations, but it is too narrow and too static to capture the subtleties of religious organisations and the dynamic of their organisation. However, the concept of the 'sacred' *is* fundamental to religious organisations. In this study the concept of the sacred is explored further, in the context of secrecy and religion.

From the earliest times, religious or sacred activities have been associated with secrecy (Bok, 1982; Bolle, 1987; Duncan, 2006; Simmel, 1906). This link between religion and secrecy is widespread. Etzioni (1999) observed how advocates of rights to privacy frequently employed the term 'sacred' to justify these rights, although these people did not otherwise draw on religious terminology, images or beliefs. This claimed right to privacy reveals the fundamental attribute of secrecy: hidden knowledge (Mathewes, 2006). Indeed, Bok (1982, p.6) sees concealment or hiding as the defining trait of secrecy. Secrecy within a religious order can be seen as a mechanism which fosters feelings of brotherhood, of togetherness, especially amongst those inside the order against non-believers (Bok, 1982). But secrecy within a religious organisation may also fulfil important control functions. Control over secrecy may be necessary to protect the identity and values of the members of the religious order (Bok, 1982; Simmel, 1906).

More importantly, the emergence of secret activity is most closely associated with change, transition and transformation (Bok, 1982; Middleton, 1987; Simmel, 1906; Hazelrigg, 1969). Hazelrigg (1969) depicts a scenario of transformation which brings with it the need for the protection of secrecy. In this way, the exercise of control over secrecy helps to guard against change, growth or decay, progress or backsliding (Bok, 1982). Thus, secrecy is more associated with power and change rather than authority and stability (Middleton, 1987). This refuge in secrecy as a form of protection in a time of transition is most evident in the behaviour of religious movements (Simmel, 1906) and can be seen as a protection of identity (Costas & Grey, 2014).