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THE BUSINESS OF RELIGION:
A CASE STUDY OF THE ROMAN CATHOLIC CHURCH

by

Gillian M. Zacharias, B.A.

A thesis submitted to
the Faculty of Graduate Studies and Research
in partial fulfilment of
the requirements for the degree of
Master of Arts

Norman Paterson School of International Affairs
Carleton University
Ottawa, Ontario

25 August 1987

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The undersigned hereby recommend to the Faculty of
Graduate Studies and Research acceptance of this thesis, submitted
by Gillian M. Zacharias, in partial fulfilment of the requirements
for the degree of Master of Arts.

Brian Tomlin, Director
The Norman Paterson School of International Affairs

Professor C. Maule, Supervisor

ABSTRACT

The study of international affairs is often based on state-centric models which tend to neglect the effects of non-state actors such as organized religions. Yet the influence of religion so pervades issues and crises in the international system that frameworks for studying their activities are imperative. One way to assess the behavior and impact of religious organizations is to compare them to another transnational entity, the private firm or multinational enterprise. This comparison highlights the objectives, structures, economic operations and environment of the two types of organizations and leads to the conclusion that they share sufficient similarities to make further analogies useful. A strategy and structure framework, originally developed in 1962 by A.D. Chandler for private firms is applied in a case study of one example of a religious firm, the Roman Catholic Church.

ACKNOWLEDGEMENTS

I would like to express my deepest thanks to my supervisor, Professor Chris Maule for his valuable contributions as well as his patience for my mistakes. His enthusiasm for this topic was a great personal inspiration. A special thanks to my family for their constant support. And I am indebted to my friends in Ottawa and Bologna for their encouragement, despite the fact that I was "always bringing the Catholic Church into it..."

international actor for which extensive frameworks do exist: the private firm. In an essay on economics and religion, Kenneth Boulding notes that the "Church as an institution has many aspects of a firm" although the product may be spiritual rather than material.⁷ As organizations, private firms and religions can be expected to share certain characteristics. If their differences are a matter of degree and subtlety, their similarities will be sufficient to allow extensive analogies in the study of international affairs. Clearly differences exist. But religious and private firms may be more similar than their immediate appearance might suggest. In fact, "many of the concepts applicable to profit-making businesses are readily transferable to the nonprofit sector."⁸ Just as the study of multinational organizations has expanded the understanding of their impact on nation-states, a comparison of religious firms can be similarly enlightening.

Two of the dimensions of organizations which require study are first, the internal characteristics of the firms, and second, their growth and expansion. In order to compare religious organizations to private firms, the characteristics of each will be discussed. Chapter 1 describes the nature of a private firm. It will also present the relationship of strategy to structure,

⁷ Kenneth Boulding, "Some contributions of economics to theology and religion," in Beyond Economics, (Ann Arbor: University of Michigan Press, 1968) p. 224.

⁸ Richard M. Cyert, The Management of Nonprofit Organizations, (Lexington, Massachusetts: Lexington Books, D.C. Heath and Company, 1975), p. 61.

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CHAPTER ONE

INTRODUCTION

Religious and political principles form the basis for the organization of society. The history of civilization can be viewed as recording the evolution of religious and political systems. The inter-relationship between 'church and state' is easily illustrated. Religion often acts as a legitimator of the political regime, as in the case of medieval south India.¹ The caesar of the Roman Empire ruled as both spiritual and political leader. Even today, the news is filled with political conflicts involving religion, in Northern Ireland, the Middle East, Sri Lanka and northern India to name a few examples. Thus institutionalized religion, while often regarded from a western, liberal perspective as having a function outside the political process, is intrinsically and probably inextricably bound to the political process.

Any rejection of the religious presence in politics in society has followed the drive towards secularism.² It is

¹ David B. Carment, "Political and Religious Transition in Medieval South India and Sri Lanka," Master's thesis, McMaster University, 1985, p. 1.

² The term 'secularism' can have many connotations. In this paper it refers to the policy of separation of church and state. For example, Funk and Wagnalls' Standard Dictionary cites: "The view that religion should not be introduced into public education or civil affairs." (p. 726). According to the Concise Oxford Dictionary of the Christian Church, E.A. Livingstone, ed., the term originated c. 1850 "to denote a system which sought to order and interpret life on principles taken solely from this world

mirrored in the isolation of the topics of religion and politics in academic study. As a result, the study of international affairs has predominantly embraced state-centric models of behavior and conflict. Such models tend to ignore the impact that non-state actors can have on international relations. This circumstance is unsettling for students of international affairs, who would be hard pressed to produce examples of international issues which have not felt the influence of religion. Nevertheless, as the result of a secular bias in the literature, religious organizations receive less attention than their importance would merit.

Fortunately, the study of other non-state actors has begun. Since the 1960s considerable attention has been paid to the activities of international and corporate businesses. Much work remains to be done with others, and an excellent starting point was established by Nye and Keohane.³ Philip Taylor notes that the study of non-state actors in world politics

...will promote a greater understanding of contemporary international relations. That study should be based on a clear typology of nonstate actors, what those actors do, and how they organize to perform those functions and make decisions.⁴

without recourse to belief in God and a future world." (p. 417) In another sense, it can mean a rejection of religious values (Funk and Wagnalls, p. 726).

Robert O. Keohane and Joseph S. Nye, Transnational Relations and World Politics, (Cambridge, Mass.: Harvard University Press, 1972).

⁴ Philip Taylor, Nonstate Actors in International Politics: from Transregional to Substate Organizations, (Boulder, Colorado and London: Westview Press, 1984), p. 17.

This has been done for multinational businesses and Taylor attempts to look at organizations with economic, political, security and cultural/ideological properties.

In spite of the pervasive influence of religious structures, little time has been devoted to incorporating an analysis of these institutions in international affairs. They deserve more careful theoretical analysis so that they may be included more routinely in the study of the global system. Ivan Vallier did lay important groundwork in his study of the Roman Catholic Church as an international actor.⁵ He sees the Church as an organization competing with other international organizations "to exercise influence and social control" in nation-states. Other interesting work has been done by Robert Graham in Vatican Diplomacy, which outlines the Catholic Church's need for diplomatic ties and political influence to protect its interests around the world.⁶ At this point no book exists which details the international organization of the major religions.

The problem then involves a topic that is less familiar to the discipline of international affairs. It requires the development of an approach for the inclusion of institutionalized religion as an international actor. To establish a suitable framework, religious organizations can be compared to another

⁵ Ivan Vallier, "The Roman Catholic Church: A transnational actor," International Organization, 25(3), Summer 1971, pp. 479-502. *

⁶ Robert Graham, Vatican Diplomacy. (Princeton, New Jersey: Princeton University Press, 1959. --

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international actor for which extensive frameworks do exist: the private firm. In an essay on economics and religion, Kenneth Boulding notes that the "Church as an institution has many aspects of a firm" although the product may be spiritual rather than material.⁷ As organizations, private firms and religions can be expected to share certain characteristics. If their differences are a matter of degree and subtlety, their similarities will be sufficient to allow extensive analogies in the study of international affairs. Clearly differences exist. But religious and private firms may be more similar than their immediate appearance might suggest. In fact, "many of the concepts applicable to profit-making businesses are readily transferable to the nonprofit sector."⁸ Just as the study of multinational organizations has expanded the understanding of their impact on nation-states, a comparison of religious firms can be similarly enlightening.

Two of the dimensions of organizations which require study are first, the internal characteristics of the firms, and second, their growth and expansion. In order to compare religious organizations to private firms, the characteristics of each will be discussed. Chapter 1 describes the nature of a private firm. It will also present the relationship of strategy to structure,

⁷ Kenneth Boulding, "Some contributions of economics to theology and religion," in Beyond Economics, (Ann Arbor: University of Michigan Press, 1968) p. 224.

⁸ Richard M. Cyert, The Management of Nonprofit Organizations, (Lexington, Massachusetts: Lexington Books, D.C. Heath and Company, 1975), p. 61.

which will be the framework used to analyze the growth and change of a religious firm in the case study of the Catholic Church. Chapter 2 deals with the characteristics of religious firms and how they compare to private firms. Chapter 3 begins the case study of one religious firm, the Catholic Church. It will examine the current organization of the Catholic Church, assessing the similarities and differences to private firms. Chapter 4 will take the concepts of strategy and structure introduced in Chapter 1 and use them to explain the change in the Church's organization during three time periods. By making the comparison, one can begin to evaluate the impact of religious firms in the international sphere, using the private firm as a guide to organization and behavior.

The theory of strategy and structure was developed by A.D. Chandler.⁹ Since 1962, Strategy and Structure has been the cornerstone for analyses of business organizations and the basis for continuing studies.¹⁰ Chandler researched the ways different

⁹ A.D. Chandler, Strategy and Structure: Chapters in the History of the American Industrial Enterprise, (Cambridge, Mass.: The M.I.T. Press, 1962)

¹⁰ L.E. Fouraker and J.M. Stopford, "Organizational structure and the multinational strategy," Administrative Science Quarterly, 113, June 1968. Richard E. Caves, "Industrial organization, corporate strategy and structure," Journal of Economic Literature, March 1980. Derek Channon, The Strategy and Structure of British Enterprise, (Boston: Harvard Business School, 1973); John H. McArthur and Bruce R. Scott, Industrial Planning in France, (Boston: Division of Research, Harvard Graduate School of Business Administration, 1969); Gareth Pooley-Dyas, The Strategy and Structure of French Industrial Enterprise, Robert J. Pavan, The Strategy and Structure of Italian Enterprise, Heinz T. Thanheiser, The Strategy and Structure of German Industrial Enterprise, all unpublished doctoral

firms performed the same functions. In a sample of over 150 of the largest American companies, he found that firms were generally structured along one of two formats: functional or multidivisional (MD). Some companies had evolved from the former to the latter form, especially as their product lines diversified or their geographic markets expanded. Chandler concluded that as opportunities or crises confronted the firms, their continued success depended on the creation of new strategies to take advantage of the new situation. Expanded activity necessitated changes in management, which in turn involved an alteration in the organizational structure to avoid crippling inefficiencies. Hence his ultimate conclusion: structure follows from strategy. This theory will be explained in some detail in Chapter 1.

The international dimension is vital to any study of religious organizations. While Chandler's theory explains the characteristics of organization and domestic expansion, another set of concepts is required to analyze the international expansion of the firm, and the subsequent relationships between the head office and the subsidiaries. In this case Richard E. Caves' transactional model will be used.¹¹

Caves argues that a firm assumes a greater number of steps in the processing of its product — ie. vertical or horizontal

dissertations, Harvard Graduate School of Business Administration, 1972. (Chandler is cited in many other books on business strategy.)

¹¹ Richard E. Caves, Multinational Enterprise and Economic Analysis, (Cambridge: Cambridge University Press, 1982).

integration -- because it can perform them at less cost than the market can. The costs of market transactions can be overcome by making them internal transfers. Part of the problem of transactions costs arises when the product is a public good and has intangible properties. This point is important in the context of religion precisely because of the public good and intangible aspects of its product.

Adding to Chandler's thesis, Caves predicts that the more the firm's structure and strategy match the market, the more successful it will be. In the case of the Catholic Church, it has faced varied and changing markets throughout its history. Its development from a Jewish sect into a virtual monopoly in Europe and the New World, into a force with declining power, make changes in its structure extremely interesting. Thus, two important frameworks for studying private enterprises will be applied to religious organizations in general and in a case study. Sufficient similarities exist between private and religious firms to make these theoretical approaches enlightening for the study of international affairs.

Central to the thesis that religious organizations do operate in ways similar to private firms is the assumption that each institution has goals. A collection of objectives will temper the strategies that are employed to pursue it. In this case, religious organizations may not have directly profit-maximizing goals, like some firms, but they do need financial resources to survive. In fact, studies have concluded that for many

organizations, long-term survival goals take precedence over short-term profits or losses.¹² Therefore diverse organizations share this goal. On the other hand, there will be differences in the factors that shape the strategies used to pursue a long-term goal of survival. As Vallier states, "In its central goals and corporate tradition the Roman Catholic Church is first, last, and perhaps always a religious organization." It is the nature of religious organizations in general, what influences them, what their interests are and what behavior can be predicted that will aid in the study of them as transnational actors.

In the case study, the Roman Catholic Church will serve as an example of a firm in the religious industry. Its fertile past is almost cloying in its richness. Conflict and contradiction so imbue its history that it defies simple description. The Church has been chosen for this study by virtue of its importance in western history, its longevity and its solid hierarchical structure which lends itself more easily to a comparison with private firms. While firms in this century have undergone major changes in their scope, size, orientation and organization, the Church has survived for nearly two thousand years. For centuries it has had to surmount the challenges of new religions, new secular powers, and new ideas that threatened to erode its structures. It had to be flexible and adaptable at least minimally, to deal with the vast changes taking place around it.

¹² R.G. Lipsey, G.R. Sparks, and P.O. Steiner, Economics, (New York: Harper and Row Publishers, 1973), pp. 310-313.

This makes it a fascinating study from a business/economic standpoint. What makes it valuable for the study of international affairs relates to how its goals and subsequent activities can and do affect relationships between states.

SUMMARY

In current literature on international affairs, organized religion is all but ignored as a significant international actor. Despite their very considerable presence in all manner of conflicts, crises and negotiations, little attention is paid to how religious institutions operate. The purpose of this study is to fill this gap. If institutionalized religion is an industry, then the Catholic Church is one firm among many large and smaller ones. In 1984, membership in twelve principal religions accounted for approximately one-half of the world's population, and the Catholic Church ranks first with 13.1% of the total population.¹³

The analysis will begin with a discussion of the characteristics of firms in the private sector. It will continue with an examination of religious firms in general in chapter two, showing just how similar many of the functions and organization of religious and private firms are. Then, by looking at a case study, the paper will develop the analysis of Chandler's Strategy and Structure for religious firms, outlining the major changes in

¹³ Brittanica Book of the Year, (Chicago: Encyclopedia Brittanica, Inc., 1984), p. 601.

organization and strategy. Finally some suggestions will be made regarding the implications for further study.

THE NATURE OF THE FIRM

In order to outline the basic characteristics of private firms, it is necessary first, to define a business enterprise, since a definition provides a general sense of how the characteristics fit together as a whole. Economists have described a firm as " a person or group of persons, properly organized, who produce or distribute goods or services."¹ This textbook definition of 1962 requires also that the "goal of profit and risk of loss" exist and as such excludes non-profit organizations. A more current definition might not distinguish between profits being taken out as entrepreneurial wages or simply being reinvested in the organization. It is probably safe to assume that long-run net revenue maximization is a primary goal of firms, while recognizing that secondary objectives such as sales-maximization, growth, survival or goodwill may circumscribe net revenue maximization.

An earlier description of a firm reveals more about the processes of firms, which are identified as units for the conscious coordination of resources.² The emphasis rests on the idea of organization, or the internal workings of firms. By

¹ Lyman Keith and Carlo E. Gubelline, Introduction to Business Enterprise, (New York: McGraw-Hill Book Company, Inc., 1962), p. 3.

² R.H. Coase, "The nature of the firm," in Readings in Price Theory, edited by G.S. Stigler and Kenneth E. Boulding, (Chicago: Richard D. Irwin, Inc., 1952), pp 332-335.

extension, a firm coordinates resources both inside and outside itself and may be defined as the "contractual relations that unite and coordinate various fixed assets or factors."³ These definitions help to focus attention more properly on the dynamics of firms, rather than on a somewhat static identification of production. That a firm produces something is less interesting than how it organizes to produce it.

The characteristics of firms may be divided into several areas. The first part will address the internal concerns such as the objectives, products, production, distribution, research and development and finance. The second part will look at organizational features and the third will consider the firm's environment, the factors which influence it and over which it tries to exert control.⁴

³ Richard E. Caves, "Industrial organization, corporate strategy and structure," Journal of Economic Literature, March 1980, p. 65.

⁴ Small firms, large corporations and multinational businesses display significant differences in their organization, motivations and actions. At this point it is useful to distinguish between the three, because some aspects of multinationals are specifically pertinent to the subject of this thesis. While firms in general all have production, distribution, financial and competitive concerns, the nature of those aspects may differ for each type of firm. Large corporations in concentrated industries exhibit different revenue maximizing behavior, often different internal organization and different responses to the environment. The activities of the multinational and large corporations ultimately interest this paper simply because they more closely resemble the religious organization chosen for the case study, the Roman Catholic Church.

A further point can be made about the differences between industries. For the purposes of this paper, certain aspects of the service or communications industries are more important than those of extractive or manufacturing industries. This follows

OBJECTIVES

Like all organizations, enterprises must have "both an articulated purpose and an established mechanism for achieving it."⁵ Firms have objectives. Past theories of the firm almost regarded profit maximization as a self-evident axiom needing no proof or justification.⁶ 'Profit' can be widely interpreted to include almost any business decision.⁷ Corporate behavior does not always fit the profit-maximizing assumption and in fact the split between ownership and control in corporations allows for different objectives. Perhaps profit maximization is really a "heterogeneous collection of multiple goals of firms used either in place of profit maximization or in some weighted combination."⁸

Of course these objectives represent the implicit goal of

from a general observation that religious firms most closely approximate service activities. While the following discussion does not deal exclusively with services, there are characteristics which may be specifically mentioned. The description of firms is meant not to be exhaustive, but rather to pinpoint specific characteristics which are similar to religious organizations.

⁵ Raymond Miles and Charles C. Snow, Organizational Strategy, Structure and Process, (New York: McGraw-Hill, Inc., 1978), p. 3.

⁶ T. Scitovsky, "A note on profit maximization and its implications," in Readings in Price Theory, p. 352.

⁷ C. Michael White, "Multiple goals in the theory of the firm," Linear Programming and the Theory of the Firm, edited by Kenneth E. Boulding and W. Allen Spivey, (New York: Macmillan Company, 1960), p. 181.

⁸ Ibid.

survival. Market forces and management determine which specific objectives will ensure success and avoid failure. The managerial firm may aim for a target somewhere between its 'survival position' and its 'maximum position'.⁹ Because an imperfect market situation will be more likely to produce firm behavior which is not profit-maximizing, this paper is thus concerned more with oligopolistic behavior of firms than with perfect competition.

The reasons for alternative strategies derive from an awareness by management of the 'influence' assumptions:

The firm's manager-executive recognized that not only can he influence wants or events to a degree but that his competitors can also. Therefore he is trying to make his decisions in such a manner that if all the wrong things happen, he still would hope to salvage maximum results under the circumstances...[This provides] a better framework for understanding, explaining and predicting some of the so-called uneconomic decisions of industry.¹⁰

A firm avoids maximum profits, for example, to discourage new entrants into the industry. Excessive profits might provoke government anti-trust action, or new demands by unions, or a negative public image. The major point here is that simply because an economic unit appears not to pursue profit-maximization is no reason to regard it as markedly different from other obviously profit-oriented organizations.

⁹ Sherrill Cleland, "A short essay on a managerial theory of the firm," in, Linear Programming, ed. by Boulding and Spivey, p. 209.

¹⁰ Cleland, "Managerial theory," p. 210.

THE PRODUCT

A firm produces a good or service in order to survive and to generate revenue. It is characterized as an input-output process which converts raw materials into products.¹¹ The product may not always be obvious. General Motors produces automobiles, but what do fortune tellers sell, for example? A distinction between goods and services is difficult to make since many goods also provide services. The nature of the product, or service, will have a definable impact on other activities of the firm, particularly on growth strategies or multinational efforts. If the product has intangible properties, it may require a different marketing approach. A firm will take measures to adapt its processes to compensate for market failures in this respect.

Some products resemble public goods, which means that the market is imperfect. A public good does not require additional costs for one more individual to use it and it is difficult to prevent an additional person from using it. In other words, the marginal costs of use are zero. The firm will consequently develop a way of selling the product that protects against this potential loss of revenue. The nature of the product is important because it may determine the nature of the firm's other activities.

¹¹ Boulding and Spivey, Linear Programming and the Theory of the Firm, p. 2.

THE FUNCTIONS OF THE FIRM:

PRODUCTION

Production concerns the way in which the raw materials are processed, where they are processed and how much the inputs cost. Purchasing involves buying the necessary inputs, maintaining inventory levels, controlling the volume of material coming into the firm, preventing duplication of orders, standardizing purchases and recording all of these operations.¹² The importance of the purchasing functions will increase in proportion to the increasing cost of materials relative to the total cost.¹³ In the communications industry, the actual production of radio broadcasts, for example, will require little more than labor costs, once the equipment is set in place and the news content is collected. Very little ongoing production is required, compared to a steel factory, for example. Decision-making will depend on the firm's specific requirements, based on four factors quality, quantity, price and delivery.

All firms face decisions about their production strategies. They may choose to simplify their output by discontinuing the production of specific items in order to reduce costs without losing profits. To diversify by adding new products or services will spread the risk or may allow utilization of wasteful by-products. In production, specialization or division of labor should increase efficiency although it may incur costs of

¹² Lyman Keith, Business Enterprise, p. 169.

¹³ Ibid., p. 154.

coordination. Work may be specialized by trade, function or task. The relative amount of resources allocated to production will of course depend on the nature of the product.

DISTRIBUTION

After production, the product must be moved to the consumer, be it a wholesaler or retailer. The costs of distribution will be transportation, marketing, and storage. These transactions may be performed either by the original firm or contracted to independent firms. The selling of a product involves a wide range of activities such as market research, sales, planning advertising and promotion campaigns, and customer services. Manufacturers may advertise their products to consumers even if they not do directly sell to the consumer. A retail outlet may employ a different marketing approach to sell the same product. Many parties in the distribution process can be involved in the marketing.

RESEARCH AND DEVELOPMENT

Businesses allocate resources to another important function, research and development. Pure research may not have an important immediate or practical value but may become useful in the future for generating revenue. Applied research addresses a specific problem or objective. Management may decide to allocate funds for invention and innovation of new products, processes and forms of organization. Research and development is often

associated with larger firms because they have more income available for this non-revenue generating investment. In an oligopolistic market, research can give firms competitive edges. Smaller firms may have to forego extensive research or else contract out to independent research firms.

FINANCE

Finance naturally ranks as a major activity within firms. The costs of inputs and outputs must be reckoned in order to ensure long-run net revenue gains. Costs include the accumulation of all expenses such as services employed, materials, facilities and manpower.¹⁴ Economists distinguish between fixed and variable costs. Fixed costs do not change from day to day while variable costs change with the level of production. Very high fixed costs may be minimized through economies of scale, when a high production rate spreads the costs over many units. Conversely, when sales fall off, fixed costs must still be paid and such firms are susceptible to large losses.

The finance department produces several documents which help it to make important decisions regarding the allocation of funds in the firm. A budget helps the firm plan its production and distribution strategies by estimating its financial situation for the near future. The income statement shows the costs of creating the income by summarizing all revenues and expenditures

¹⁴ Ibid., p. 169.

over a period of time. A balance sheet lists assets and liabilities at a specific point in time. Assets refer to cash plus property owned and used by the firm. Liabilities are the claims against the assets by creditors. A secondary claim against the firm's assets is known as equity capital, meaning the right of the owner(s) in the property. It is also called net worth, or shareholders equity, and consists of total assets minus current liabilities. Another way of looking at the capital in the firm is as the dollar values of stocks outstanding, that is the paid-in capital plus retained earnings. The financial office uses this information to decide whether to expand or contract in certain areas, to reinvest earnings or pay it out to shareholders, and helps to allocate funds within the firm. The financial department also investigates ways of securing new capital funds, by issuing new equity or debt instruments.

MANAGEMENT

The functions of firms are performed by different groups of employees according to the corporate structure. When capital is raised through equity, investors become a force in directing the firm. At an annual meeting, the shareholders elect a board of directors to represent their interests. The directors in turn elect the top-level management team of corporate officers, such as the president, vice president(s), secretary and treasurer. The board may meet as often as once a month and may also be divided into committees to direct the financial or executive

functions, for example. Although the board has final authority for the actions of the corporation, it usually plays a passive role by voting on recommendations made by the chief executive officer (CEO).¹⁵ The CEO, often the president or chairperson of the board as well, thus holds the most important position. Below him are the division and/or department heads, and then the managers of the field units, which are discussed in more detail below.

Management duties include an overall integrative function or coordination and four primary functions of planning, organizing, directing and controlling activities of the organization.¹⁶ All managers perform these duties, but the nature and scope of the activity will differ according to the level of management. Top level management (president, executive vice president, vice presidents) will be involved in more long range planning, controlling, organizing and directing middle management subordinates and generally oversee the long-term strategic direction of the firm and its objectives. Middle management (department heads, factory managers, superintendents) has closer contact with daily results, implements policy decisions set by the top level, solves more immediate problems and makes operating decisions and plans for achieving goals set by the corporate

¹⁵ Patricia A. Fitzgerald, et al., Business: Its Nature and Environment, (Toronto: Gage Publishing, Ltd., 1979), p. 83.

¹⁶ Hal B. Pickle, Introduction to Business, (Pacific Palisades, California: Goodyear Publishing, Inc., 1974), p. 66.

level.¹⁷ The supervisory management level (foremen, supervisor) plans production, watches results from day to day, assigns specific jobs and tasks, maintains close contact with production personnel, and implements policy decisions according to limits proscribed by upper levels.¹⁸

ORGANIZATIONAL STRUCTURE OF THE FIRM:

ALLOCATION OF TASKS

All of the functions discussed above should be organized in a way that serves the objectives of the firm. Kenneth Boulding defines an organization as a network of interacting roles, tied together by lines of formal and informal communication and involving communications in degrees of quality and quantity, authority and impact on sender and recipient.¹⁹ Consequently there are two principle parts to the organization:

1. The allocation of specific tasks within a firm to specific people or departments.
2. The lines of authority and flow of information among the different departments.

The tasks may be handled by one person, the proprietor in a very small firm. In larger enterprises, tasks may be divided into functional areas or multidivisional departments. Thus in a medium-sized functionally oriented firm, the chief executive

¹⁷ Ibid., pp. 64-65.

¹⁸ Ibid., p. 65.

¹⁹ Boulding and Spivey, Linear Programming, p. 12.

officer (CEO) is a step removed from the specialists who handle the functions such as purchasing, production, distribution, research and development and finance. (See Figure 1 for an example of a functional structure.) The main advantages of the functional organization accrue from economies of specialization and scale (compared to the proprietor trying to do everything) and from fewer communication channels (compared to the multidivisional structure).²⁰ It can minimize costs as the division of labor increases.

As a firm grows, the functional model may become inefficient. The benefits of the functional structure may be overwhelmed as the firm diversifies its geographical scope or product lines, expands sales or integrates vertically or horizontally. Growth means adding more supervisory levels which then incur 'control loss' in communications and decisions. Consequently the organization cannot flexibly and rapidly respond to changing market conditions or information.²¹ Another problem arises if functional departments assume additional duties thus duplicating communications channels. The top managers will have difficulty assessing the performance of the departments as a result. Adopting a multidivisional structure can rectify these two major problems.

The multidivisional (MD) form sets up divisions for each product or geographical market. A typical MD form (see Figure 2)

²⁰ Caves, "Industrial organization," p. 66.

²¹ Ibid.

FIGURE 1
FUNCTIONAL STRUCTURE

FIGURE 2

MULTIDIVISIONAL STRUCTURE

will have four different kinds of offices.²² At the top the general office centralizes the coordinating, planning and appraising of policies and procedures and allocates resources for the quasi-independent divisions. Below the general office are the divisions responsible for a single product line or geographical area. These central offices administer a number of departments. Each department handles a function such as purchasing or finance. A departmental headquarters will coordinate, appraise and plan for the field units. The lowest level of field units comprise plants, district sales offices, or financial offices that conduct the daily activities.

The division may become a 'profit center' whose performance can be more easily evaluated by the top coordinator.²³ Decentralizing control to profit centers reduces the redundancy of communications channels and control loss. The MD is "optimizing the firm's response to changing environmental demands (especially market conditions)."²⁴

Not all large firms have MD structures. The choice between a functionally centralized or a decentralized MD structure comes down to relating and coordinating the work of the enterprise to

²² A. D. Chandler, Strategy and Structure, (Cambridge, Mass.: The M.I.T. Press, 1962), p. 9.

²³ Caves, "Industrial organization", p. 66.

²⁴ Ibid., p. 75.

market needs and demands. Empirical analysis shows that firms selling

...a larger variety of one major line of products in much higher volume to a greater number of industries and businesses have consistently centralized the control of their activities through developing and rationalizing their functionally departmentalized structures; while only those making and selling quite different lines for increasingly differentiated groups of customers turned to the new multidivisional form.²⁵

The type of product, market and complexity of strategies will determine which structure best fits the firm.²⁶

STRATEGY AND STRUCTURE

This paper is concerned with the organization of religious and private firms. One framework which uses the differences in organization to show changes in strategy has been developed by Alfred Chandler, who first noted that:

Historically, administrators have rarely changed their daily routine and their positions of power except under the strongest pressures. Therefore a study of the creation of new administrative forms and methods should point to urgent needs and compelling opportunities both within and without the firm.²⁷

He discovered in his study of over 100 of the top American industrial firms that several had pioneered the use of the MD form of administration. The growth strategies of these firms had

²⁵ Chandler, Strategy and Structure, p. 343.

²⁶ Raymond Miles and Charles C. Snow, "Fit, failure and the Hall of Fame," California Management Review, 26(3), Spring 1984, p. 10.

²⁷ A.D. Chandler, Strategy and Structure, p. 2.

increased the complexity of their operations to a point where their responses to the market and to internal demands became slow and inefficient. Four companies studied by Chandler eventually used the MD structure to overcome their problems. He concluded that if strategy changed to meet new market opportunities or challenges, then eventually old structures became less efficient and structural change was imperative.²⁸ The evolutionary process involved four main steps:

1. A firm's market environment changes due to population growth or to changes in tastes or technologies.
2. The firm takes on new strategies such as geographic expansion, sales growth, product diversification, vertical or horizontal integration which are designed to make use of the new opportunities or to avoid new threats in the marketplace.
3. The growing complexity of operations makes the problems of coordination, appraising and planning too intricate for top officers to do both day-to-day and long-term activities. The new expanded activities also require a redefinition of the line-staff relationships to avoid duplication of communications channels and administrative confusion.
4. New structures are devised to administer the new activities. This involved either centralization into functional departments or decentralization into a MD form.²⁹

Whenever new structures lagged behind the implementation of

²⁸ Chandler defined strategy as the determination of long-term goals and objectives and the adoption of courses of action and allocation of resources to carry out the goals. Structures refer to the design of the organization which administers the enterprise, either formally or informally defined. (pp 13-14) Richard Caves (op.cit., 1980) summarized structure as internal allocation of tasks, decision rules and procedures for appraisal and reward. (p.64)

²⁹ Chandler, Strategy and Structure, pp. 13-17, 289-293, 299 (passim); and Caves, "Industrial organization," pp. 68-69.

new strategies, Chandler found it to be due to the top executives' preoccupation with daily operations, or from their inability, because of past training and education and present position, to develop an entrepreneurial outlook.³⁰ A distinction must be made between 'strategic' decisions regarding the long-term survivability of the firm and 'tactical' decisions affecting daily activities. They may also be termed entrepreneurial versus operating decisions. It is the executives of the organization involved in coordinating, appraising and planning who make the strategic decisions. Managers implement the strategic plans by using the resources allocated to them by the executives. They are responsible for the tactical decisions made within the overall plans. This labor specialization allowed the top officers to guide the business according to a long term outlook. By being separated from daily operations they were able to develop more objective analyses of the firm and to coordinate the structure of the firm to fit the strategy.

The time it took to reorganize and whether it was full or partial depended on the immediate needs and the personalities of the executives involved, especially if the firm was family-run.³¹

Sometimes entrepreneurs lack a long-term strategic outlook. They can make decisions without forward planning or analysis by meeting new situations problems or crises in an ad hoc way: they

³⁰ Ibid., p. 16.

³¹ Ibid. p. 305 and 380.

accept the goals of their enterprises as given or inherited.³² If the survival of the firm depends on efficient use of resources, a failure to adapt structure to strategy can lead to bankruptcy.³⁴

Since Chandler, more work has been conducted on the ability of the market to effect changes in strategy. The degree of competition, uncertainty, and product differentiation all can alter the perceptions of the top management of the firms' strength and weaknesses.³⁵ Research on European corporations has shown that they have been slower to accept the MD form because of market differences.³⁶ In France, for example, where executives had to mediate with public officials over state-imposed constraints, their time for strategic planning was reduced. Overall, however, Chandler held that the market, a firms resources, and their entrepreneurial talents have,

...with relatively few exceptions, had far more effect on the history of large industrial firms in the United States than have antitrust laws, taxation, labor and welfare legislation, and comparable evidences of public policy.³⁷

³² Ibid., p. 12.

³⁴ If, on the other hand, the organization can rely on other criteria for success, it may be able to prolong inefficient structures. This holds for state corporations and nonprofit organizations, for example, which may implicitly rely on the government or benefactors to assist them if they incur losses.

³⁵ Caves, "Industrial organization", p. 64.

³⁶ Ibid., p. 71.

³⁷ Chandler, Strategy and Structure, p. 384. As firms become multinational in scope, however, state-imposed constraints like tariffs, taxation laws and investment controls may have more

The case study of strategies and structures in this paper will thus begin with the market influences, as outlined in the four steps above. The strategy and structure framework has been instrumental in the study of business and its behavior, and should prove enlightening for the study of other organizations.

AUTHORITY AND CENTRALIZATION

The arrangement of the authority and responsibility relationships between specific individuals or departments refers to the line or staff structure. A line authority relationship means a chain of command that runs in a direct line from the top to the bottom of the organization. Line authority derives from direct involvement in operational activities, such as creating, financing and distributing a good or service.³⁸ Staff activities are based on expertise and may be defined as authority to advise, plan, gather information and provide guidance to line managers.³⁹ To distinguish between line and staff functions entails deciding to what degree an activity contributes directly to the attainment of organizational objectives (line) or else facilitates such accomplishments (staff).⁴⁰ A third relationship is called

impact on the structure of firms. In his study Chandler focussed on domestic, not multinational, enterprises.

³⁸ James H. Donnelly, James L. Gibson, and John M. Ivancevich, Fundamentals of Management, (Dallas, Texas: Business Publications, Inc., 1978), p. 111.

³⁹ Fitzgerald, Business, p. 102.

⁴⁰ Donnelly, Fundamentals of Management, p. 111.

functional. Individuals with functional authority "have the right to issue policies and procedures for their functions or areas of expertise throughout the organization and to expect compliance."⁴¹ Many positions incorporate all three activities:

A personnel manager, for instance, will be in a line relationship to the personnel department, in a staff relationship to the executive officers when serving on the advisory executive committee and in a functional authority relationship to the total organization.⁴²

A line and staff organization combines both aspects so that the line manager is no longer required to be equally competent in all areas of his or her job.

The CEO typically has almost complete authority to manage and organize the business. In a functional firm he may be characterized less as a profit-maximizer and more as a mediator who must reconcile the subgoals of each department.⁴³ In a MD firm he monitors the profitability of the profit centers, leaving the coordinating function for the responsibility of the vice-president of each division.

Management ordinarily sets the degree of centralization or decentralization. Centralization is the "systematic and consistent reservation of authority at central points within the

⁴¹ Fitzgerald, Business, p. 103.

⁴² Ibid.

⁴³ Ibid.; and Richard E. Caves, American Industry: Structure, Conduct, Performance, (Englewood Cliffs, N.J.: Prentice Hall, Inc., 1967), p. 5.

organization."⁴⁴ A firm that desires uniformity of action, and/or a high degree of integration, pursues centralization. In a reverse process, decentralization delegates authority at lower levels in reference to responsibility.⁴⁵ It can be implemented in varying degrees and diverse levels in the organization. It may be different for each organization. A firm would be expected

...to centralize control over only those decisions of affiliates that affect the profitability of the whole enterprise in an independent way, because they are central to the firm's global profit maximization and a dollar expended by one arm of the firm is then not available for expenditures by another.⁴⁶

For example, finance, especially the management of capital expenditures, is frequently kept centralized presumably to maintain a tight control over expenditures and revenues. Quite often the firm swings between different degrees of centralization.

Another aspect of the lines of authority and communication is how the firm motivates and rewards its employees.⁴⁷ The human resources must be managed by the firm to create efficiency and work for the firm's objectives. According to C.I. Barnard, a firm must be concerned with the economy of incentives because "inadequate incentives mean dissolution, or changes of

⁴⁴ Louis A. Allen, Management and Organization, (New York: McGraw Hill Book Company, Inc., 1958), p. 158.

⁴⁵ Ibid., p. 162.

⁴⁶ Caves, "Industrial organization", p. 78.

⁴⁷ Ibid., p. 66.

organizational purpose, or failure of cooperation."⁴⁸ Workers will be willing to contribute their resources on the basis of a balance between negative and positive inducements. These can be characterized as methods of persuasion and/or methods of incentives. Money may not be a strong enough inducement to attract top quality CEOs, who look also for prestige and status. At the lower levels, workers may demand not only competitive wages, but also a certain prerogative for decision-making. In short, personnel relationships constitute part of the organizational chart as much as does the departmental functions.

INTEGRATION AND DIVERSIFICATION

Richard E. Caves describes the reasons for the existence of horizontally and vertically integrated firms. Horizontal integration means that a company operates more than one plant. A vertically integrated firm creates a market within itself for intermediate goods.

Given that there are locational forces which necessitate having plants in different areas, there must be some 'transactional' advantage to having a common administrative control. In other words, the company must be cutting more costs or receiving more revenue than if the plants were operating independently. One of the most telling reasons is that the firm possesses intangible assets. These can include: better technology for producing a product; a patented process or design;

⁴⁸ Barnard, Functions of the Executive, p. 139.

a marketing asset such as a registered trademark; or simply the skills and expertise of the employees. In any case, the firm faces market failures associated with arm's length transactions in intangible assets. Caves lists three main problems:

1. Intangible assets are to some degree public goods. They can be used repeatedly without reducing the original amount, so the marginal cost is zero. Theoretically, the price should then be zero. But "no one gets rich selling his bright ideas for zero." Consequently intangible assets tend to be underproduced or priced inefficiently.
2. They are difficult to sell because if the seller reveals the asset in order to prove its value, the buyer can simply take the knowledge without paying for it. If the seller tries to keep the details under wraps, the buyer may suspect the claims are overstated and refuse to pay the full price. This problem is called *imperfectness* combined with opportunism.
3. Because the knowledge has to be hidden somewhat before the transaction, it will be difficult to predict how usefully the good will perform. The uncertainty that results will limit the volume of transactions in intangibles.⁴⁹

The conclusion is that it is more profitable not to sell the intangible assets, but to share them among several different plants through a central administration. This is one explanation for the existence of horizontally integrated firms.

The implications for vertically integrated firms are similar.

It "internalizes a market for an intermediate product, just as the horizontal MNE internalizes markets for intangible assets."⁵⁰ It avoids the costs and uncertainties of arm's length transactions, such as switching suppliers and negotiating prices

⁴⁹ Caves, Multinational Enterprise, p. 5 (paraphrased).

⁵⁰ Ibid., p. 16.

or contracts. The transactional approach illustrates how a business saves money by incorporating different stages of production into its structure.

A strategy of diversification may be pursued because of intangible assets. Because they will not be diminished by use elsewhere in the firm, it may be expected that the management will try to maximize their earning potential by employing them in new activities. For example, a firm which has cultivated widespread recognition of its trademark may decide to develop other related products which can profit from the trademark's visibility. This helps to explain the motivation behind the strategy for diversification.

The presence of intangible assets also affects the structure of a firm's international expansion. A company may decide to invest by acquiring a going concern in the foreign country, form a joint venture with a local firm, or create a new plant. Intangible assets will tend to make the firm shy away from joint ventures, since it will be reluctant to part with control over the public good. Caves and others have found that

...novice MNEs or those diversifying into unfamiliar product lines tend to make acquisitions, whereas those with extensive experience abroad in their base activities prefer to start their own businesses.⁵¹

Integration and diversification are influenced by the company's possession of intangible assets which are not easily traded for fair market value. They can also explain the kind of investment

⁵¹ Ibid., p. 93.

in international markets.

THE BUSINESS ENVIRONMENT:

COMPETITION

External factors existing outside the formal structure of the enterprise make up its business environment. There the firm meets obstacles to the attainment of its objectives and constraints on its activities. A brief survey of this environment will include competition, technology, laws and regulations, shareholders and labor and social responsibility.

Unless a firm has a monopoly market position, it faces competing firms. On a horizontal level, it competes with other sellers of the same product. Vertical competition, on the other hand, implies competition for the best price with suppliers of its inputs as well as with buyers of its outputs. Competition acts as a disciplining force on the firm, forcing it to adopt strategies that will attract appropriate resources from its competitors.

Firms in an oligopolistic market will behave differently from those in a market of monopolistic competition. Large firms in concentrated markets respond to their rivals in a variety of ways which may not be viable alternatives for smaller firms. For example, corporations sometimes follow each other into foreign markets even if the potential profitability is not evident. R.

Vernon calls this a Pied-Piper approach.⁵² Follow the leader behavior ensures that if there are losses, they will be borne by everyone in the industry and if successful, no one will have gained destabilizing new market shares. The theory of loose-knit oligopolistic activity presupposes a recognition of interdependence on the part of each member of the oligopoly.⁵³ Members will often avoid competition as far as possible and agree to maximize the monopoly profits available to the industry as a whole. Thus highly concentrated industries exhibit collusion. Efforts to circumvent disruptive competition may temper any profit-maximizing goals of a firm.

Competitive and oligopolistic markets differ in the relative ability for new firms to enter the industry. Few barriers to entry signify a more competitive market. Conversely, in oligopolistic markets, new entrants find considerable barriers in the form of costly advertising, capital cost requirements, scale economies and research and development. On the other hand, an argument could be made that these costs are not barriers, but simply represent the initial startup costs or investments made in the past by firms already in the industry.⁵⁴ Established firms require that new entrants commit to making the same investments they made. In fact, true barriers to entry may exist only where

⁵² Raymond Vernon, Storm Over the Multinationals, (Cambridge, Mass.: Harvard University Press, 1977), chapter 3.

⁵³ Caves, Multinational Enterprise, p. 99.

⁵⁴ Ibid., pp 94-96.

states create preferential treatment. Laws and regulations may determine the number or size of firms in an industry. Since new entrants pose a threat to existing firms, the height of the barriers to new entrants may influence existing firms' behavior. The latter may change their strategies to less than profit maximizing to discourage entry. The relative ease of entry thus influences firm behavior.

Firms also compete for funds in the capital market. By going public to raise funds by offering stocks, they run the risk of attempted takeovers by rivals or other firms entering the market through acquisition. Aggressive takeovers sometimes engender legal efforts by the victims to block the bids. The successful acquisition of control through stock purchases often implies removal of management. Such disruptions or their perceived threat acts to condition the activities of firms.

When using debt instruments to finance operations, firms will try to obtain the best price for a loan. Depending on the market for loans, they may be able to pick and choose among institutions, or be subject to stiff criteria by loan officers. The loan market will constrain a firm's operations as well as the equity market. In short, the competitive nature of the market offers both constraints and opportunities which affect the range of a company's strategic choices.

TECHNOLOGY

In the area of technological changes, new product and

processes challenge older ones. Firms which are able to incorporate technological advances before their rivals can expect to gain monopoly rents if successful. On the other hand, new technologies can put pressure on entire industries to change. For example, the development of rapid telecommunications networks and computer storage has drastically reduced the need for paper, causing the pulp and paper industry to scale down or diversify and develop new markets. Technological change exerts continual pressure on firms by altering the competitive forces.

LAWS AND REGULATIONS

The pursuit of goals is affected by other forces such as laws and regulations. The law impinges on business activities in a variety of ways such as statutes prohibiting or demanding specific behavior. The state creates watchdog regulatory agencies to control and monitor businesses. As soon as a firm invests directly in another country it becomes subject to a new set of legal constraints on its maximizing behavior. Typical laws include antitrust, unfair practices and transfer pricing. Naturally taxation imposes great restrictions on profitability. Since the firm is based on a collection of contracts, it becomes subject to all the attendant private laws. The firm's activities are therefore delimited by both contractual laws and state regulation.

LABOR AND SHAREHOLDERS

On the input side, workers can influence the firm's behavior. Working conditions, wages, benefits and other policies are part of the deal struck between management and the workers. They use resources in the firm that could be used elsewhere if the firm was able to pursue its revenue goals unhindered. Unstable labor relations, however, injure the firm through work stoppages or sabotage. Low employee morale, inefficient middle management, high turnover rates for positions and training costs can impair the smooth functioning of the company. Thus the firm finds its behavior circumscribed by pressure exerted by the employees.

Shareholders provide another constraint on the operations of the firm. As owners of the corporation, their views on strategies and behavior may conflict at times with the management. It is in their immediate interest to receive dividends out of net revenue. On the other hand, reinvested revenue would maintain the health of the firm and the stocks over the long term.⁵⁵ Shareholders may desire a direct say in changes of strategy such as diversification, divestment or acquisitions. All of these possibilities will influence management's decisions.

SOCIAL RESPONSIBILITY

On the output side, a company must be cognizant of its responsibility to the customer. Malfunctioning or even dangerous

⁵⁵ Adolph A. Berle and Gardiner C. Means, The Modern Corporation and Private Property, (New York: Macmillan Company, 1932), pp 121-22.

products might involve the firm in liability suits, or at least in unfavorable publicity. Customers can use their dollars as votes to tell a firm if they are unhappy with its activities, by not purchasing the product, and may voice their complaints to the media or to the government.

The notion of social responsibility is tied to a firm's desire to cultivate a good public image. There are two related incentives for a firm to pursue 'goodwill' at the expense of profit-maximization. The first is the impact of perceived negative behavior directly on the firm's customers, resulting in an immediate loss of business and revenue. The second is less direct but no less important: unpopular activities may motivate the public to ask for government regulation. Large companies, whose presence and impact is more visible, feel the impetus of 'goodwill' and social responsibility most keenly:

Social responsibility activity by the firm makes more sense if the firm has some measure of market power to be responsible with and has achieved a satisfactory profit level, though not a maximum one, to share socially.⁵⁶

Creating goodwill in connection with a company name is a positive marketing strategy in general.

⁵⁶ Cleland, "Managerial theory", p. 210.

SUMMARY

This chapter has outlined the basic characteristics of firms. Beginning with a discussion of objectives, it has identified the nature of products, the functions of production, distribution, research and development and finance and the organizational structure of firms. The concept of strategy and structure is important because it explains the current organization of companies, as well as their evolution. It will be used in the case of a religious organization, the Catholic Church, to explain its change and expansion over time.

The business environment involves competition, technology, laws and regulations, labor and shareholder influences, and social responsibility.

The purpose of this examination is to outline the characteristics of firms in order to be able to compare them with religious organizations. The same concepts will be used in the following chapter to evaluate the differences and similarities between private firms and religious organizations.

CHAPTER TWO

THE NATURE OF RELIGIOUS ORGANIZATIONS

The religious industry contains a rich and diverse array of individual 'firms'. It is true nevertheless that they share enough common characteristics to encourage a generalized analysis. The following chapter will examine the general nature of religious organizations as firms: How are they similar to private firms and what are the important differences and special problems? The parallels to private firms will be illustrated by using the same breakdown of objectives, product, functions, organization and environment. Such an analysis clearly shows religious firms working towards their specific goals by providing goods and services, generating revenues and organizing activities around a structure that reflects both internal and external pressures. Moreover, once the similarities between religious and private firms have been established, other frameworks commonly reserved for the study of businesses can be applied.

OBJECTIVES

Occasionally organizations are differentiated by the degree to which they pursue profit-maximization as a primary goal. It must be acknowledged, however, that all organizations must be profit conscious if they are to survive. They must earn an income which at least meets their expenditures. Otherwise they stand to lose their employees to other organizations and their

assets to creditors. The difference between profit-oriented and non-profit organizations depends on what happens to net revenues: are they distributed to the owners, or reinvested in the company, or are they paid to the various factors of production so that net revenues are zero? A non-profit enterprise will spend the net revenue on itself because it is designed that way, but profit and non-profit maximizing behavior can be exhibited by all types of firms. For all organizations, "achievement of the ... objectives can generally be described as being dependent on the production of services or material goods...which are not affected by the profit or nonprofit character of the objective."¹ All must operate with some kind of income statement, and so a profit type motive must be a part of every organization to some extent.

The objectives of religious organizations presupposes the basic goal of survival. To achieve this, the organizations develop related objectives determined by the nature of their primary product, a system of beliefs.² Subsidiary objectives include the recruitment and retention of members (sales maximization), their understanding and internalization of beliefs (education, religious services, communication), and the

¹ Richard M. Cyert, The Management of Nonprofit Organizations, (Lexington, Massachusetts: Lexington Books, 1975), p. 8.

² Religion is defined as the "beliefs, attitudes, emotions, behavior, etc., constituting man's relationship with the powers and principles of the universe especially with a deity or deities." This thesis focusses primarily on the idea of religion as a set of values and beliefs.
(Funk and Wagnall's Standard Dictionary.)

improvement of voluntary participation and donations (club facilities).³ Whether sales-maximization,¹ participation, or revenues take precedence may depend on the theology of the organization.⁴ Because of the transactional costs associated with selling a theology (public good), membership-maximization (sales) might prove to be a better criterion to judge the success of the organization.

Certain structures become the means for communicating the core of knowledge to the believers and for maintaining membership. As soon as organized religion needs "to institutionalize patterns of belief, worship and organization [it] inevitably leads to the development of an administrative hierarchy."⁵ Clearly, religions will exhibit varying degrees of structural formality, depending on the extent to which they pursue the objectives outlined above. It is in encouraging the growth and success of the organizational structure and the marketing of the beliefs and value systems that religions most resemble business enterprises.

³Donald P. Warwick, "Personal and organizational effectiveness in the Roman Catholic Church," in James A. Coriden (Ed.), We Are the People of God, (Huntington, Indiana: Our Sunday Visitor, Inc. and the Canon Law Society of America, 1967), p. 92.

⁴John N. Bartholomew, "A sociological view of authority in religious organizations," Review of Religious Research, 23(2), December 1981, p. 123.

⁵Robert F. Szafran, "The distribution of influence in religious organizations," Journal for the Scientific Study of Religion, 15(4), 1976, pp 339-349.

PROBLEMS OF THE RELIGIOUS PRODUCT

Religious organizations market their individual knowledge and belief systems. Each offers a different way of viewing the world and of responding to it, a particular theology with related aspects like economic or social ethos. The uniqueness of each system, combined with additional goods and services differentiates the various religious firms in the marketplace. Product differentiation is a characteristic of markets having many producers of similar products, who try to create brand loyalty among consumers. Therefore defending the differences in religions means protecting the monopolistic edge.

The difficulty of protecting the use of such knowledge becomes immediately obvious. Once it has been developed, little resources are required to maintain that central core. The value system expressed in the beliefs is usually codified in some form, such as the Bible or Koran. Once the knowledge has been imparted to a follower, he may pass it on to another, without diminishing either's ability to use it. The public good aspect of the Bible means that the marginal costs of using its content are zero. But if the costs at the production end are low, other problems, such as generating revenue, may arise. A religious organization will have trouble excluding additional people from using the knowledge for free. It may not be able to obtain payment for developing something as intangible as a belief system. The core of knowledge distributed by each religious organization can quickly become a public good.

The religious firm will translate its intangible product into a series of symbols and rituals over which it can exercise more complete control. This converts the public good into a somewhat mixed private/public good. Salvation may not come any longer just from knowing the religious truths, because one must be initiated through specific cleansing or baptismal rites, must make pilgrimages to sacred locations and maintain contact with the distribution outlets like churches, mosques or temples.

From this perspective, religious firms produce outputs "somewhat similar to the combined output of a club (sociability, respectability), an entertainment firm (the choir and services), an educational institution (religious instruction), a government (symbol of national culture [and/or judicial system]) and star performer (discipleship and commitment to a person)."⁶ Other similarities to firms might include a communications function and perhaps social services.

WHAT RELIGIOUS FIRMS PRODUCE

The following section will focus on the products of the religious organization in general, attempting to refer to them in terms of the outputs mentioned above. The first product will always be the doctrine itself. It may well determine the subsidiary goods and services provided by the organization.

Second, the knowledge and its distribution to clients depend on the interpretation of specialists, or employees of the

⁶ Chris Maule, "Economics and religion," (mimeo), p. 4.

religious firm. They participate in the entertainment, club and educational aspects but they may constitute part of the total product. Simply by virtue of being representatives and living examples of the doctrine, employees can become part of the spiritual product in a way that differs from firms in other industries. In some cases, they may acquire divine status, and become objects of worship.

Contemporary religious organizations have been called vulnerable because of their dependence on an essentially voluntary relationship with their clients.⁷ To the degree that these firms must compete to attract people away from other voluntary activities, they are dependent on providing something akin to entertainment, in a club-like atmosphere. This marketing approach consists of symbolic structures and services with which the knowledge is associated. The structures function as a distribution system for the value system, mediated through the entertainment. Clients may hear special music, follow together a liturgy, listen to sermons or hear recitations. The decorations of the church or temple may be used to attract people initially, to help enhance the experience, and also to visually represent teachings.⁸ The club experience is important for motivating

⁷ Robert C.L. Brannon; "Organizational vulnerability in modern religious organizations," Journal for the Scientific Study of Religion, 10(1), Spring 1971, pp.27-32. This point refers to a market situation where customers have alternatives and there is no monopoly of religious beliefs by one organization.

⁸ Clearly the choice of marketing methods will depend on a variety of factors. The religious organization may be able to recruit and maintain membership through strong cultural and

attendance, and subsequent financial donations.

A second part of the club aspect relates to specialized groups of individuals who are willing to devote their resources to specific tasks. They may be bound together by common vows, agreements or customs. Often they perform a variety of services for the firm as it pursues its objectives, sometimes with little or no pay. Perhaps the firm can capitalize on these people's excess or surplus devotion by offering them comradeship or the prestige of a unique lifestyle. Unlike other firms, religious consumers also act as producers. As the number of members participating in the services increases, each individual receives additional benefits from their participation. It follows that for religious organizations, the more members they can retain, the more goods are produced. Simultaneously they create a low cost work force, in an industry that in some aspects is labor-intensive.

Religious organizations function also as educational institutes so that training and instruction in the system of faith is an integral part of passing on the beliefs and guaranteeing orthodoxy. As agencies of socialization, schools and universities educate the followers in a way that should garner loyalties to the religious institution. Placing children in a religiously supervised environment will lead (hopefully) to the creation of future customers, and provides against inadequate

ethnic relationships and may need less emphasis on direct marketing through its distribution system.

instruction in the family. Even though the organization directs itself to families, not just individuals, religious socialization need not be left to the family unit. Other educational institutes can function as⁹ training programs for future employees.⁹ The institutes may help to gather future teachers and employees, and prevent them from slipping away into the general, or competing religions', work force. Therefore educational services form another aspect of the religious firm's output.

The public activities of a religious leader relate to his abilities as a star performer. One way of categorizing the role is as the spiritual head who acts as a living symbol, or as a source of dogma for the religion. From the center he helps to distribute the message, to educate and strengthen the conviction of members. He publicizes the faith, and is generally in the business of communication. In the role of researcher, author and communicator of religious decrees, the leader provides inputs for the firm. As a representative of the core of beliefs, he can use his popularity to generate revenue. He or she becomes an output of the organization. The leader may make special appearances, international tours, participate in international events, or mediate in international conflicts.¹⁰ Hawkers can take the

⁹ Lincoln T. Bouscaren and Adam C. Ellis, Canon Law: A Text and Commentary, (Milwaukee: The Bruce Publishing Company, 1957), p. 737.

¹⁰ Hyginus E. Cardinale lists 13 significant instances of mediation by popes between 1870 and 1914 in The Holy See and the International Order, (Toronto: Macmillan Company of Canada Ltd.,

opportunity to sell buttons, photographs, T-shirts, pamphlets and statues, while the organizers can "use the occasion to collect all the rents that are generated by [the leader] being a unique famous person."¹¹ In this instance the star performer is another product emanating from the religious organization. The leader can be seen as both an input and an output of the religious firm.

If the firm's doctrine instructs the followers on appropriate behavior, the firm may provide a judicial service. It may monitor its followers to ensure their correct deportment, issue judgments and punitive measures when they stray. This service more closely approximates the output of governments, with all the attendant laws and punishments.¹² It helps to perpetuate doctrinal orthodoxy, whenever that is important to the firm.

THE FUNCTIONS OF THE FIRM:

PRODUCTION (input costs)

The production processes of religious organizations can be complex because of their diversified output. When the body of knowledge derives from past writings, little production is required other than its publication with perhaps updated commentaries. The educational religious institutes and

1976), p. 89.

¹¹ Maule, mimeo, p.16.

¹² Religious organizations have a different sphere of control than governments, because deviant thoughts can be considered a crime and the punishments (damnation) create a different kind of deterrent.

distribution outlets — churches, temples, synagogues — form a large part of the production costs. Usually they are owned, not rented, because of the need to decorate distinctively, the need for stability, and a desire to indicate commitment of purpose to the followers. The unusualness of the structures precludes simple resale so the religious firm cannot easily convert them into liquid assets.

Incurring large fixed costs means that religious organizations will experience economies of scale, as the use of the buildings approach capacity. Another member of the congregation can be added to a church service "without additional cost until capacity is reached and then the same plant and equipment can be used for additional services before it is necessary to build another church and hire another priest."¹³ All facilities need maintenance whether or not they are being used for services. Religious firms suffer large losses when their fixed assets produce less sales, when attendance drops or the number of new recruits falls. Other miscellaneous input costs will be the accoutrements of the buildings, often of a symbolic nature. These would include vestments and candles for services. They can be purchased from special manufacturers in the local area or made within the firm.

Input costs for educational institutes may be covered by making attendance mandatory for the children of the clients and

¹³ Ibid., p.10.

at the same time requiring tuition fees to be paid by the parents. Because of the special spiritual link between the religious firm and the clients, the firm may be able to make such demands. Another financial advantage may derive from the support of state governments. They may offer the parents tax credits when they send them to separate schools, or go so far as to enshrine the religious instruction in the public school system, thus making the separate schools redundant.

A sizeable portion of a religious firm's resources goes to its labor force. Like private firms, religious organizations employ people. Most traditional methods of operation involve a direct approach, wherein specialists deliver the doctrinal products and services to the clients at the distribution sites or in some cases, even door-to-door.¹⁴ Unlike private firms, religious firms can rely to some extent on voluntary support from the followers. They assist during worship sessions, and organize other social or spiritual activities.¹⁵ In certain situations then, labor costs may not reflect the true market price, since the employee receives some benefit from his association with the firm. In short, members of a religious club act as both producers and consumers of the product.

As part of its production strategies, management may decide the level and type of labor specialization to increase

¹⁴ Non-traditional methods include televangelization with intensive use made of television broadcasting.

¹⁵ Brannon, "Organizational vulnerability," p. 28.

efficiency. Specific tasks would include missionary work, central top-level management of the organization, diplomacy and security, care of the physical assets, ministering to the faithful, and conducting the religion's rites. There may be a hierarchical structure as in the Roman Catholic Church, or a more horizontal style, as in some Protestant sects. Different positions may develop into professional roles, or stay informal. Decision-making may be divided into various levels, or subordinate groups may be merely advisory or consultative. The different degrees of specialization are no different than that shown by small "mom and pop" enterprises compared to AT&T.

DISTRIBUTION

Distribution in religious organizations is based on the need to disseminate information directly to clients at easily accessible locations. The costs of transportation or buying storage space are less relevant than labor costs. Distribution costs may be borne by the institution, or sometimes provided by generous patrons. When distribution concerns missionary efforts, the organization may be able to solicit volunteers to distribute the message, as in the Mormon church and by Jehovah's Witnesses. Distribution will also be affected by the degree of competition in the market. A religious firm may decide to focus exclusively on densely populated areas (to take advantage of economies of scale) if competitors in rural areas are few. Whether revenue accrues directly from sales, from investments or from the state

(ie. taxation) will influence the nature of the distribution network.

Actual marketing and selling the system of beliefs pose a variety of challenges to the religious firm. Since one of the objectives of religious organizations is to gain new converts, the firm must devise ways of reaching a growing market. All the 'trappings' of religious services form part of this marketing attempt. The elaborate rituals help to differentiate the product from other competitors and to instill a club-like atmosphere.

Many of the subsidiary activities attached to the religious firm could be labelled 'customer services'. In order to keep followers from losing interest or switching loyalties, the firm has a system for maintaining contact between itself and the client, such as confession in the Catholic Church. Services would include funerals, exorcisms, counselling, hospital and health services. Sometimes firms produce extensive literature for their clients, to help deflect doubts raised by other religions or to answer questions or reinforce faiths. The television and radio media are used to distribute the outputs to members as well. A further service would be the firm's intervention on behalf of its clients in threatening situations. Creating such a network of 'after-sales service' may be another way of marketing the religion.

RESEARCH AND DEVELOPMENT

Research and development for businesses is used to develop a

competitive edge. If the presumption of most research is that change may occur as something 'better' is discovered, then most religions will not undertake such research. Divine truths depend to some extent on stability and consistency for their credibility. To engage in research based on fear that the knowledge is wrong or inadequate, or to admit that the knowledge could be improved like dish-washing soap, beer, or cars, is to cast doubts on the religion in general. It may sow seeds of factionalism. On the other hand, some research and consequently change is necessary to update the traditional and make it relevant for evolving cultures. Obviously religious firms will not conduct research and development like other industries' firms, because the knowledge product and value system have divine (immutable) dimensions. Better services or communications methods might be goals for research, as the religious firm attempts to keep its product relevant to changing markets.

FINANCE

Financing religious organizations involves some special strategies, some of which have already been noted, as in tying public goods to private goods. It is expected that followers will pay something to receive the benefits of their religion. However, the level of contributions will probably reflect the degree of perceived benefits. Because religious services are likely subject to the same problems as other providers of public goods, voluntary contributions "systematically fall short of the

socially optimal level."¹⁶ On the other hand, there may be different kinds of pressures on the individual to contribute, such as peer pressure, family or ethnic traditions. Alternatively, a religious firm may have the power, like a government, to tax its members.

In general the firm earns revenue by being a club. Sociologists have shown that members of a group will contribute to activities which reinforce the group. Fund raising for building or maintaining a church or temple "is less costly to organize if there is already a congregation where the members feel they belong to a group, where they will end up with a visual representation or symbol of both their giving and their faith."¹⁷ Members also may contribute to special solicitations made by the star performer. They can be taxed, or pay voluntarily each time they attend services. Some religions solicit funds through the mass media, like fundamentalist groups in the United States. Because of the high level of devotion of the followers of some religious organizations, they may be induced to donate all of their private possessions and/or income streams and bequests at the time of death. Again, the nature of the religious industry presents examples which cannot always be compared to private firms. It is hard to imagine a worker donating his goods to his

¹⁶ John C. Hilke, "Voluntary contributions and monitoring efforts: Revealed preference for the services of religious organizations," Journal for the Scientific Study of Religion, 19(2), 1980, p. 138.

¹⁷ Maule, mimeo, p. 15.

employer. Loyalty and sacrifice may provide the religious firm with resources from which it can call for extra contributions in a financial crisis. This reserve results from the customer being both a producer and a consumer.

In fact, it is important to note that such firms may continue operating inefficiently or at a net loss for some time without going bankrupt, simply because it can command stronger loyalties from its customers. To the extent that religious consumers are unwilling to switch firms — i.e. beliefs — the firm may try to increase the inputs made by the consumers as producers. This effectively reduces costs without losing revenue. Thus the religious firm may be able to circumvent pressures to restructure by drawing on the producing aspects of their members. If religious firms have the loyalty of the state government or other large organization, they may also receive monetary support in a financial crisis, much like a crown corporation in Canada. By virtue of their special product, religious firms draw from resources not necessarily available to firms in other industries.

Religious organizations must be sensitive to appearances, for clients may become disenchanted if funds donated do not appear to be used for constructive purposes. Religious firms may take extra precautions in their handling of revenue, in order not to appear too greedy, or motivated by profit.¹⁸ Increasing

¹⁸ There are some organizations which are not afraid to display their wealth, like Oral Roberts, and his university and medical center in Oklahoma City. In another example, the Bhagwan Shree Rajneesh owned eighty Rolls Royce.

attention is being paid to the use of formal budgeting techniques to improve planning by management.¹⁹

If religious firms have a branch-plant organization, with subsidiary units and a central headquarters, it may operate in one of two ways. It may gather all revenue from each unit and redistribute it according to needs in the whole organization, or to defray head office expenses. Alternatively, it may operate each branch as an independent profit-center, each responsible for incoming and outgoing funds. A diversified output requires some extra expenditures for non-revenue producing activities, like radio broadcasts. A fee can be levied on each branch to help defray costs of activities performed at the center for the benefit of the whole organization. Each organization will use a method of gathering revenue which suits its particular market, as well as its particular brand of religion.

MANAGEMENT

In religious firms, the corporate structure will vary widely, depending on the individual needs of each organization. While it may be difficult to generalize about such structures, nevertheless the organizations must have a system of decision-making. Members of a religion may indeed invest their capital in the organization in a way that differs from their contributions for various outputs, and resembles instead investors in stocks.

¹⁹ Douglas W. Johnson, "Program planning and budgeting for the churches," Review of Religious Research, 13, Fall 1971, passim.

In other organizations, the status of membership may confer certain decision-making privileges, such as electing other members to boards or directing committees in order to represent the members. If the leader is not just a star performer (output), but also directs, manages and controls the activities of the organization, he or she can be likened to a CEO. It would seem that the more complex and diverse the activities of the religious organization, the more levels of management would be required. How many and how hierarchical are the levels of management cannot be generalized for religious firms. However, the case study which follows in chapter three will illustrate clearly how the management structure in one religious organization parallels that of private firms.

The first part of this chapter has been concerned with illustrating the different functions of the religious firm: production, distribution, research and development and finance. Each corresponds with those functions in other private firms, although there are sometimes differences of degree. It is not enough, however, to examine the similarity of functions. What is needed now is a comparison of the organization of those functions, the allocation of tasks within the firm, of communication and authority within the firm. This leads to the choice between a functional or a multidivisional structure.

ORGANIZATIONAL STRUCTURE:

FUNCTIONAL AND MULTIDIVISIONAL

Both functional and multidivisional organization answers certain requirements for efficiency within the firm. Several factors may discourage the change from the first to the second form. Diseconomies of scale in top-level management in the multidivisional organization may occur if the firm's customers and products are few in number, if production processes require a great deal of top-level tactical decisions, if the scale of production and capital needs are absolutely giant or if the production process remains fully integrated.²⁰ On the other hand, the multidivisional structure is encouraged by:

...the standard causes of diversification -- heavy investments in marketing and distribution systems, extensive resort to research activities or use of skilled technical personnel whose capacities can be spread to other activities, high levels of risk or cyclical instability in the base activity that promotes diversification through risk-spreading.²¹

The characteristics of the religious industry would favor a multidivisional form of organization. The varied products--clubs, star performers, education, communications, judiciaries--and often wide geographical scope of the marketing systems would not favor the use of a functional organization. Like private firms, religious organizations may decide to combine the two types of structures, to obtain the benefits of both functional

²⁰ Richard E. Caves, "Industrial organization, corporate strategy and structure," Journal of Economic Literature, March 1980, p. 74.

²¹ Ibid.

and product, and/or geographic divisions. Empirical analysis has yet to indicate the distinction between such a 'matrix' structure, and a multidivisional structure with interdivisional coordinating mechanisms.²² In any case, the specific needs of religious firms can be answered by using variations on the structures.

The multidivisional form might become more appropriate as strategies change. This evolution from functional to multidivisional organization has been discussed in an earlier chapter. Strategies for religious firms include product diversification, such as printing literature, expanding a communications network using radio or television facilities. Additional services provide education, occupational training, customer services, counselling, judgement and settlement of disputes, and public affairs. Separate product divisions might be expected to develop, as the tasks become more complex. As a religious organization expands geographically, it may find that services are conducted differently in the various areas and that geographical divisions are more appropriate. It is also possible, of course, that a religious firm will avoid correcting inefficiencies of administration, if inefficiency is not crucial to survival.

RELATIVE CENTRALIZATION

Looking at the different reasons for functional, product and

²² Ibid., p. 76.

geographic divisions gives some insight into the relative centralization of functions. Since information can be transmitted relatively cheaply on a large scale, the development of the core of knowledge is usually centralized, especially whenever orthodoxy is important. A central department may then disseminate information to the peripheral units through the distribution network. Actual production of other products associated with the subsidiary units, like educational institutes or other services, are location-specific and need to be near the clients. In order to control performance, each distribution area might be made into a profit center. Other functions, like marketing, occur at both the center and the subsidiary levels. The firm creates the brand name at headquarters, while the decentralized units adapt the marketing to local cultural and geographical factors. Research will often be centralized, since control must be maintained over its direction, so as not to become too heretical (if that is important to the individual firm). Central research will probably concentrate on issues which affect the firm as a whole. Finance may be either centralized or decentralized, depending on the individual firm. Most frequently the branches of the organization are made to be individually solvent, and it is up to the leader in each area to operate with a surplus. A head office fee may be assessed to help pay for any central departments. In general, the departments in the periphery handle all functions relating to local conditions, leaving functions which affect the central

organs or the religious firm as a whole centralized in comparison.

AUTHORITY AND COMMUNICATION

The lines of communication and authority in a firm also illustrate its structure. The issue of decentralization of decision-making deals with hierarchical and/or horizontal lines. One religious firm may discover that a hierarchical structure, with power flowing from the top to the bottom is necessary for control over doctrinal orthodoxy, or for financial or security reasons. A more democratic structure may make sense if the subsidiary units are expected to contribute to the functioning of the firm as a whole, or if they must be able to make crucial decisions out of contact with the center. Response and adaptation to local markets would require at least some authority in the local structures to make changes. Again, so much depends on historical developments, and on the doctrine of the religion itself, which may dictate the form independent of current market conditions. As in some private firms, the religious organization will swing between centralizing and decentralizing impulses in response to changing needs.

The organizational chart says little about how the firm motivates and rewards its employees. Like any other organization it has to be able to attract human resources away from other opportunities. Employees are willing to join and then contribute their talents based on a balance between positive and negative

inducements.²³ Firms tend to stress the objective nature of their inducements, with material goods, personal opportunities, pleasant physical conditions and ideal benefactions, a sense of pride, workmanship, loyalty.²⁴ In religious and political organizations, the professed emphasis falls on subjective inducements, or methods of persuasion.²⁵ In reality, each uses elements from both sets. For example, in a study comparing the patterns of influence in labor unions, the League of Women Voters, religious institutions and delivery stations of a distribution system, the bishops and the managers of the delivery stations possessed a wider range of control techniques than their counterparts in the voluntary organizations. Methods common to both the religious and the distribution firms were legal, reward, expert and coercive means.²⁶ These constitute the motivational means available to management.

The degree of decentralization of decision-making will affect the rewards a firm can offer its employees. A rigid hierarchical structure may limit autonomy at the lower levels to such an extent that the employees feel frustrated and leave the organization. Over-institutionalization has been cited as a

²³ Chester I. Barnard, The Functions of the Executive, (Cambridge, Mass.: Harvard University Press, 1938)

²⁴ Ibid, p. 142.

²⁵ Ibid., p. 141.

²⁶ Szafran, "The distribution of influence," pp. 339-349.

major cause of American pastors leaving their vocation.²⁷ A dynamic organization that offers a more bottom-up approach to decisions may attract more motivated workers. The crisis in the Roman Catholic priesthood reflects this dilemma. Priests have been protesting the rigidity of control since the 1940s and the numbers of new priests have been declining.

Other motivations may come from the relative size of the religious firm. Like private firms,

...the size and ability to pay of the church as represented by the size of the congregation, the budget size and the proportion of professionals in the congregation are analogous to the profitability of a firm. Profitable firms tend to pay more than unprofitable firms, *ceteris paribus*. The difference between the secular firm and the Church would seem to be the greater propensity of the Church to be isolated from competition in the market for its labor.²⁸

Thus the size of the religious firm may attract higher quality workers, but this is a difficult point. It must project the idea of sacrifice and humility in order to solicit contributions from members at the same time that it needs to display its wealth and strength to provide associated benefits for quality employees. In short, religious firms compete with other organizations for workers, but the spiritual and highly specific nature of the industry may limit the market for both the firms and the employees.

²⁷ Allen P. Wadsworth, Jr., "Drop-out from the pastorate: why?" Journal of Pastoral Care, 25, 1971, pp 124-27.

²⁸ William C. Bonfield, and Edgar W. Mills, "The clergy labor markets and wage determination," Journal for the Scientific Study of Religion, 19(2), 1980, p. 157.

STRATEGIES OF INTEGRATION and DIVERSIFICATION

Another way of comparing the organization of firms and religions is to look at the degree of vertical and horizontal integration. It has already been touched on in the discussion of strategies of diversification. If horizontal integration implies that costs can be reduced if two or more plants share a common central administration, then such organization is evidenced in religious firms dating back over 1000 years. The diocesan structure of the Catholic Church, the kingships of the brahmin classes in medieval India are examples. A central administration of diverse areas allowed resources to be centralized and then redistributed where needed.

Horizontal integration also presupposes locational advantages from operating plants in different places. The religious firm provides services directly to the client. This is a simple answer to multi-plant structure, but it lacks more explanatory power for the existence of a central administration where it exists.

One compelling reason lies in the nature of the religion industry. The public good aspect of the knowledge, and the difficulty of unbundling the expertise of specialists in the firm imply that religious firms have more to gain by keeping the information within the general control of the central parent body. An alternative, like licensing or sale of distribution rights suffers from problems associated with all intangible

assets.²⁹ The knowledge cannot be transferred at a fair market value, and the religion may disintegrate if control over orthodoxy is lost through licensing.

Religious firms exploit the excess capacity found in the bundle of tangible and intangible assets by employing them in subsidiaries. Once the knowledge has been developed and used at one location, it can be reused without reducing the 'amount' of knowledge and without incurring many extra costs.³⁰ So a horizontal structure reduces costs for the firm and increases the productivity of the knowledge/value system product.

Economic analysis of vertically integrated firms predicts that transactional costs are avoided by internalizing some trade.³¹ The firm produces and consumes intermediate goods because arms-length transactions cost in terms of switching suppliers or negotiating contracts. The market failure for information transfers, as in the intangible assets argument, may promote vertical integration.

This paper has shown how religious firms have internalized such functions as distribution and marketing, training, education, judicial tribunals, and even health services. Fixed assets are maximized by using the knowledge in the training of future employees.

²⁹ Richard E. Caves, Multinational Enterprise and Economic Analysis, (Cambridge: Cambridge University Press, 1982), p. 5.

³⁰ Ibid.

³¹ Ibid., p. 16.

The distribution system, as in a service industry, is central to the marketing effort, and thus the firms probably prefer to operate them internally in order to have more control. It also makes sense in terms of gearing the system to the specific demographics of each area. A significant part of marketing the religion comes from the appearance of the distribution outlets, and other distribution systems may not be appropriate.

According to Lall, "trade is often internalized where the ultimate sales to final buyers must be attended by extensive customer engineering and after-sales services."³² Ostensibly salvation could be granted through the radio and television. The advantage to this approach is being able to reach potential clients, rather than current ones. Having an in-house distribution system, however, promotes contact with clients and may be important for garnering loyalty and financial support. As Caves notes, the firm can generate goodwill by committing its resources to the local market.³³ If clients contribute financially, they will want to see some investment by their religious firm in the local area to prove its commitment. Consequently, internalizing marketing may be important for maintaining current membership levels.

Marketing represents a form of forward vertical integration.

³² S. Lall, "The pattern of intra-firm exports by U.S. multinationals", Oxford Bulletin of Economic Statistics, 40, August 1978, pp 209-222.

³³ Caves, Multinational Enterprise and Economic Analysis, p. 22.

Most religious firms advertise in some way, perhaps through display ads in Sunday papers, through the radio or other media. As the size of the potential market grows, economies of scale may induce firms to internalize marketing. They probably will never completely integrate this function, since advertising through independent media stands a better chance of reaching non-members. From another viewpoint, internalization may reflect both a reluctance to hand over the reins of control to an outsider and a lack of understanding of the religious market on the part of marketing specialists. In particular religious firms may create the messages internally, but use external methods to convey them.

Diversification is another form of integration strategy. One motive is balancing potential downturns in one national economy by investments in another, assuming relative isolation of the two.³⁴ While this may be true for private firms, it does not explain the expansion of religious firms easily. They tend to diversify geographically for other reasons, associated with the doctrine. They diversify their product or service lines more as marketing techniques (among other things) than as attempts to create a new source of revenue.

Another purpose of diversification involves utilizing the by-products of the principle product-lines or the excess capacity of facilities. The knowledge product can be used repeatedly: ministers have been advised to save time and effort by updating

³⁴ Ibid., p. 27.

old sermons rather than creating new ones.³⁵ If a large part of the firm's investment goes toward training priests, their time could be maximized by extending different services that are still related to their initial training. Not surprisingly, some priests have developed into "social workers, pastoral psychologists, urban workers, community organizers, recreation directors, and change agents."³⁶ These diversified activities may not generate revenue directly but can benefit the firm in terms of increased client loyalty, publicity and goodwill.

From the previous discussion it is clear that the religious firm exhibits many of the same characteristics as private firms in its functions, and organization. Religious organizations also operate in a specific business environment. The constraints on their activities are, as for firms, competition, laws and regulations, technology and social responsibility.

THE BUSINESS ENVIRONMENT:

COMPETITION

Religious institutions face competition on several levels. They compete for influence at the political level, for new recruits to increase revenue and for the continuing loyalty and contributions of current members. The search for influence to

³⁵ Gary C. Genzen, "Ways of saving time and labor in parish administration," Concordia Theological Quarterly, 46, April-July 1982, p. 237.

³⁶ Harmon L. Smith, "Language, belief, authority: Crises for christian ministry, and professional identity," Pastoral Psychology, 23, 1972, p. 18.

control the business environment brings them up against the nation-state, a major competitor for individual loyalties.³⁷ Diplomacy is the vehicle used to combat antagonistic legalities propagated by states. For this reason, state-church constraints will be dealt with in the discussion of laws and regulations.

The business environment presents horizontal and vertical competition and ranges from monopolistic competition to oligopolistic. First the nature of the horizontal competition will be discussed.

Religion is an industry with numerous firms. Islam, Buddhism, Judaism, animist, each of which probably has multiple variations. In 1983, the market shares of eight major religions were as follows (of a total population of 4.721 billion):

Roman Catholic —	13.1 %
Muslim —	11.7
Hindu —	9.8
Protestant —	7.8
Buddhist —	5.3
Confucian —	3.5
Eastern Orthodox —	1.3
Jewish —	.4

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³⁷ Ivan Vallier, "The Roman Catholic Church: A transnational actor" International Organization, 25(3), Summer 1971, pp 479-502.

³⁸ "Religion," Brittanica Book of the Year, 1984, p. 601. In an article in ibid., Franklin H. Littel cautions that "[r]eckoning religious adherence is a precarious exercise ... Differing procedures are followed even within the same religion ... The traditional listing of religions used by scholars makes no provision for several religions or faiths now numerous and/or influential; eg., Baha'i, Ch'ondokyo, the Unification Church, the religions of the Sikhs and Jains...The reader is advised to reflect carefully upon the statistics reported and to refer to articles discussing the different countries and religions when pursuing the subject in depth."

Pierce competition in missionary areas mirror a certain market saturation in home markets, since current members should not need to be reconverted. Diminishing returns may result as increased domestic market share comes at the expense of dislodging stronger and stronger competitors.³⁹ Since no human community exists that lacks a knowledge and value system, the market for religions is limited only by the size of the human population. Some firms are obviously more motivated and better equipped to compete on a global basis.

What then is the nature of competition in the religious industry? On one side, new firms enter the marketplace easily. New religions, like the Mormon or Bahai faiths, require only the creation of a body of knowledge. Spin-offs can occur rapidly and easily as a result. Nevertheless, the major world religions of Christianity, Islam, Buddhism, Judaism, Hinduism have advantages over new entrants in the form of established reputations, codified knowledge, scale economies, capital cost outlays already made in large distribution networks. State sanctions create high entry barriers for new entrants. Specific religious organizations are guaranteed privileges and protection which will make it extremely difficult for new religious firms to expand even if they can enter. In such situations, while it may be easy to start a new religion, the costs of expansion will be great.

The prevalence of these major religions indicate an

³⁹ Caves, Multinational Enterprise and Economic Analysis, p. 14.

oligopolistic structure, inviting comparisons to the oil or auto industries. Whether or not the major religions operate collusively like other oligopolies is debateable. Goals of cooperation may be different than price-fixing or market sharing. They may recognize certain territories as the exclusive domain of certain religions, for example. An exact parallel with firms becomes unrealistic because some religious doctrines completely refuse to accept the validity of other religions. Conflict, rather than cooperation, can be expected wherever new religions threaten established belief systems, especially given that these products carry more emotional weight with the consumers than do new brands of soup or cars. On the other hand, similar religions may combine their efforts towards commonly perceived goals. The ecumenical movement and the World Council of Churches represents efforts to unify the Christian religions.⁴⁰

On the other side, it may be difficult to wrest members from established religions. While clients may not have contractual relationships with their chosen religious firm, to switch allegiances will presumably not be a frivolous decision, assuming some relatively high degree of commitment. It will not be easy to convince clients to change faiths. Still, if such a decision is made, usually no contractual obligations exist to hamper the change. There are various influences, then, which affect the competitiveness of the religious market. History and tradition

⁴⁰ E.A. Livingstone, ed., The Concise Oxford Dictionary of the Christian Church, (Oxford: Oxford University Press, 1977) p. 167.

will undoubtedly affect the specific loyalties of local areas.

With diversified outputs as a club, entertainer and educator, the religious firm must challenge other similar businesses for individuals' contributions of time and money. Clients must be induced to forego other recreational activities in favor of attending religious services, if this is the way revenues are collected and beliefs are transmitted. People who derive substantial internal rewards from attending may be unaffected by the quality of the services, but for others on the margin the degree of entertainment may be vital. Sociologists have noted the way that religious competition pressures the individual branches to appeal to the local clientele even if it contradicts programs of the center departments.⁴¹ In the area of education and other public services, the competitors are similar state and other private institutions.

Vertically imposed competition comes from labor, suppliers of religious goods, capital markets and clients. As mentioned earlier, recruitment of employees depends on the blend of incentives which the organization offers. If labor shortages occur, as is the case in some christian organizations, the subsidiary units can find themselves competing for the limited labor pool.⁴² In the Catholic Church, despite the declining numbers of priests, the labor market appears monopsonistic on the

⁴¹ Brannon, "Organizational vulnerability," pp. 27-31.

⁴² L.A. Paul, "The social sciences and the work of the churches, part II," The Expository Times, 82, April 1972.

hiring side, because the bishop has complete authority on the placement and acceptance of laborers.⁴³ In any case, the religious firm must be aware of the possible disaffection of their employees if their needs are not met.⁴⁴

Whenever religious firms buy inputs, they face competition with the suppliers. For example, the Christian Broadcast Network must compete for the supply and best price of a satellite; local churches bargain for the services of organ players. The competitive structure of the market for each input will influence the activities of the religious firm.

EXTERNAL CONSTRAINTS

Pressures on the organization may come from its members when they try to act like shareholders who have made investments of their time and money. In fact, the customers of religious organizations tend to both consume and invest in the enterprise. In the role of investors, they are not owed anything by the religious firm by a contractual obligation. On the other hand, if the concerns of each are correlated to their investments in the firm in general, then members can place constraints on the operations of the firm. They have invested time and money and may try to see that the funds are allocated and decisions made according to some implicit understanding. Members may even feel

⁴³ Bonfield, "Clergy labor markets," p. 148.

⁴⁴ Jim Reapsome, "Readers cite rushed visits and lack of pastoral care," Evangelical Missions Quarterly, 21, April 1985, pp 128-31.

they have rights as well as duties independent of aspects of performance or inputs. The views of the leaders of a local branch may indeed conflict with the congregation. The threat of a loss of support may force the leadership to change its mind.⁴⁵ Depending on the characteristics of each firm, the members can affect the way the firm operates, much as shareholders can.

In the role of consumers of the product, the customers will influence the firm through their needs. If the firm fails to meet these requirements, "they will stop giving, attending or participating".⁴⁶ The success of the firm is modified by the demands of the consumer in the local market.

TECHNOLOGY

Technology introduces new challenges to the religious firm in two ways. First, interindustry competition means that new types of leisure activities can replace the local temple or mosque or church as a center for social gatherings. The traditional views of older religions may become unpopular if scientific advances show them to be irrelevant or out of touch with current realities. Religion may no longer be desirable as a basis for social activity.⁴⁷

⁴⁵ James R. Wood, "Personal commitment and organizational constraint: church officials and racial integration," Social Analysis, 33, Fall 1972, p. 142.

⁴⁶ Stanley Menking, "Church administration: ministry with and for people," Drew Gateway, 48, 1977, p. 47.

⁴⁷ Of course, changes in society's values can come from sources other than advancements in science and technology.

Second, new technologies have changed the face of religion. For example, fundamentalist protestant churches in the United States have created 200 local television stations with religious formats, 1,134 radio stations and freelance productions on general stations as well as satellite and cable hookups that reach tens of millions of homes.⁴⁸ According to one televangelist, "If Jesus were on earth today, he'd have to be on T.V. That would be the only way he could reach the people he loves." As in any industry, the firm that can incorporate new technologies may develop a competitive edge that will garner it more revenues or sales. Communications technology has threatened the traditional religions which rely on a 'visible' church; the 'electronic churches' tend to deny the "essentiality of the organized church."⁴⁹

In another application of new technology, new computer programs designed specifically for local churches can be used to match members of similar interests in a bible study or book party, for example. Attendance tracking by computers allows the priest to be in touch with people who have not been to services and perhaps forestall a potential drop out. A computer system helps reduce fixed costs by regulating heat and cooling for rooms used only a few times a week. Such a system would be cost-

⁴⁸ "Power, glory -- and politics," Time, February 17, 1986, pp. 54-65.

⁴⁹ "The docetic church", Christian Century, 98, January 21, 1981, p. 37.

effective only for branches with at least 700 members, however.⁵⁰

LAWS AND REGULATIONS

Laws and regulations which constrain religious firms mirror the competitive conflicts between church and state. States' laws affect the competitive environment of religious organizations. They range from complete exclusion from access to territory, to separation of 'church' and state, to absolute sanction. For example, many communist countries have tried to suppress religions because the ideology and theologies compete directly for the loyalties of members and for the legitimacy of their tenets. In cases where the state allows freedom for all religions it creates a highly competitive market. It can also mean all religions receive tax-exempt status like other charities, a benefit not accorded to private firms.

Relationships between church and state depend heavily on historic circumstances as well. In Mexico, anti-clericalism resulted in a constitution that forbids the Roman Catholic Church to publish newspapers or air its views on the radio. Clergymen are banned from all political activity, from wearing clerical collars and cassocks in the street and from voting in elections.⁵¹ Given that communication is a vital activity in

⁵⁰ R. Clapp, "The ubiquitous computer: is it coming to church too?" Christianity Today, 26, October 8, 1982, pp 72-75.

⁵¹ "The power and the glory revisited," The Economist, October 4, 1986.

religious organizations, such stringent restrictions have a powerful impact on the activities of the Church.

At the other extreme, in Columbia a treaty between the state and the Catholic Church binds the former to protect the Church, to provide it with independence from civil authorities, to allow it to acquire property and to have a central role in public education.⁵² In this situation, new entrants will find state protection a considerable barrier to entry. Clearly the state plays a crucial role in determining the external constraints on the activities of religious firms.

LITIGATION AND SOCIAL RESPONSIBILITY

Like firms, religious organizations can face liability from unhappy clients. In 1987 two Dutch groups sought court orders to bar Cardinal Simonis from preaching his views on homosexuality and the inferiority of women.⁵³ In California, charges were laid against a church for inadequate counselling of a depressed church member who later committed suicide.⁵⁴ Religious organizations are not immune to litigation by the state. American bishops were taken to court for refusing to supply documents which might indicate that they were involved in supporting certain anti-

⁵² Vallier, Roman Catholic Church, p. 486.

⁵³ International Herald Tribune, "Dutch trial: theology versus rights," February 27, 1987.

⁵⁴ Christianity Today, "California judge dismisses nation's first clergy malpractice suit," 29, June 14, 1985.

abortion political candidates.⁵⁵

Social responsibility has a positive and negative side. When a firm fails to curtail activities perceived by governments or consumer advocacy groups as detrimental to society, it creates a negative public image that can impair its success. By anticipating the effects on society and ensuring that only positive ones result, a firm generates intangible assets of goodwill that can help it sell its product. Social responsibility applies most frequently to large businesses with high visibility and potential to affect society. The major world religions certainly fit this criteria. In fact, since the press is just as likely to cover negative news as positive, the firm needs to be especially mindful of its global activities. It is not surprising to find some religious firms engaging in development projects in third world countries, or taking public stands on nuclear and disarmament issues. Such 'goodwill' efforts to win the support of current and potential clients can become particularly important in a political context.⁵⁶ Similar to firms that support the arts, such behavior may not be profit-maximizing in the short run, and may even be quite costly.

SUMMARY

This chapter has examined the products, functions,

⁵⁵ "Church and state," Time, May 19, 1986, p. 25.

⁵⁶ G.E. Gorman, "The future socio-economic role of religious organizations," Communio Viatorum, XXII, 1979, p. 123.

organization and business environment of firms in the religious industry. They have objectives such as global salvation, global sales, and protection of physical assets. The public good aspect of the knowledge product leads to the creation of other tangible products and/or services over which they can exercise control and generate revenue. Their organization, whether functional, multidivisional or mixed, helps them to efficiently control their activities as clubs, entertainment, star performers, communications firms, educational institutes and lawmakers. While there are differences between religious organizations and firms in other industries, in many cases they represent only the differences to be expected in diverse, highly specialized industries. Certainly enough characteristics are shared for other frameworks to be useful for examining religious organizations. The following two chapters will use this approach by examining the organization of the Catholic Church, first as a current example of a religious firm, and second, as a case study for A.D. Chandler's Strategy and Structure and organizational change.

CHAPTER THREE

A CASE STUDY: THE ROMAN CATHOLIC CHURCH

The conclusion of the previous chapter is that religious firms share many characteristics of private enterprise. The next stage will be to take Alfred Chandler's "strategy and structure" framework, originally developed for large business, and apply it to the Catholic Church. Chandler's study focussed primarily on the domestic development of business structures from the nineteenth century forward.¹ What will be particularly interesting is to see whether the concept of strategy responds to changes in the market even in the sixteenth, as well as in the nineteenth and twentieth centuries. The case study will begin with a description of the current organization in order to be familiar with the overall structure of the Catholic Church. This should make it easier to follow the process of change and restructuring over the centuries. After this general description, three formative periods in the history of the Church will be discussed in Chapter 4: the era of the Reformation and the Council of Trent (late sixteenth century); post First Vatican Council (from 1870 to 1917); and the period of the Second Vatican Council (1960s).

¹ A.D. Chandler, Strategy and Structure, (Cambridge, Mass.: The M.I.T. Press, 1962).

THE ROMAN CATHOLIC CHURCH TODAY

The head office of the Roman Catholic Church, the Holy See, lies in Rome, Italy within the Vatican City State.² Top level positions in the Holy See are the papacy (CEO and president) and the Secretary of State (senior executive, vice-president). Approximately 120 cardinals form the Sacred College of Cardinals, whose primary responsibility is electing the pope, and secondary responsibilities are either to head the various departments of the Curia or to administer a diocese as a resident bishop. Together they also have an advisory role in a body called a consistory, which acts like an executive committee. While the consistory cannot be said to represent 'shareholders', nevertheless it helps to provide advice on long-term plans and directions for the Church as a whole. More recently, the pope, John-Paul II, has convened the entire college of cardinals for financial discussions, so they can be considered a financial committee as well.³

The size of the Church's central administration (1800 members) bows to the far grander scale of its global divisions. The 2,456 dioceses outside Vatican City can be viewed as the

² The term 'Holy See' refers to the pope and the various central departments which assist him in the administration and legislation for the whole church. These central departments are called the Roman Curia and are located in the Vatican City State in Rome, Italy. The territory of the Vatican City State was awarded to the Catholic Church as a result of the settlement of financial and land disputes with the Italian government in 1929 (the Lateran Treaty).

³ Arthur Jones and Peter Hebblethwaite, "Appraising Peter's pence and power," National Catholic Reporter, May 24, 1985, p. 11.

operating units of the parent firm in Rome, with the bishops filling the role of corporate vice presidents in charge of subsidiaries or divisions. Within each diocese, the parishes are like distribution outlets — approximately 359,000 — where the actual transaction between customer(parishioner) and firm takes place. Other services are provided by institutions like universities, hospitals and orphanages, numbering 300,000 in total. It is from a business organization perspective that the central organization of the Catholic Church will be discussed, starting with its objectives.⁴

OBJECTIVES

The primary goal of the Catholic Church is to lead all men to salvation.⁵ In order for men to be saved, they must become members of the Church through baptism. This clear objective, "mission", lies at the heart of all activities of the organization. It can be seen as a membership (sales-maximizing) goal rather than profit-maximizing, since many of the Church's newest converts live in the poorest areas of the world. The two goals are not necessarily mutually exclusive, however. It may cost more initially to recruit customers in poorer areas, and the Church may be able to raise other funds (venture capital) to support these efforts. The strategy of the Church is to support

⁴ Statistics from *ibid.*, p. 9.

⁵ Catholic Encyclopedia, Volume III, (Gilmary Society, 1912), p. 746.

the area with funds from elsewhere, until such time when there are enough customers to support a full hierarchy, and achieve some economies of scale. Membership in 1985 totaled approximately eighteen percent of a world population of 4.8 billion.⁶

Another primary objective is maintaining an orthodox doctrine. The Church cannot allow major changes to its doctrine to suit new markets or changing tastes. To permit deviation from the dogma is to undermine the entire foundation of the organization. Because the Church is based on a theology of shared ideas and not on ethnic or cultural ties, it is "ideationally" vulnerable.⁷ Unlike a private firm, it cannot simply abandon a doctrine that no longer appeals or that has been challenged from outside the organization by other ideologies. While it may be able to reinterpret doctrine within limits, some aspects will be protected from change that could encourage spinoff organizations.

In Catholicism, the structures which are used to maximize members have taken on a divine status. The organization of the hierarchy from the pope and his central administration down to the priests — its essential aspects — derives from Catholic doctrine and must be protected from change, corruption or destruction. As a result, the upper levels of the hierarchy have

⁶ Jones and Hebblethwaite, "Appraising," p. 10.

⁷ Thomas Dea, The Catholic Crisis, (Boston: Beacon Press, 1968), p. 85.

always formulated subsidiary strategies designed to perpetuate these structures. In general the strategies would include seeking political influence over nation-state governments, and extending its own temporal sovereignty over territories around the world. Safeguarding the faith means keeping a watchful eye on the orthodoxy of the faith as expressed by its members, and disciplining those who stray. In meeting crisis situations, the Church has pursued other limited strategies which will be highlighted in the historical study in Chapter 4.

THE PRODUCTS AND SERVICES

What does the Catholic Church supply? Its paramount product is salvation (from damnation), to be reached through acceptance of the Catholic faith as the divine possessor of the real Truths. In this religious firm, the value and beliefs system — the knowledge — is recorded in the Bible and the Apostolic Tradition, a technical term for other historically Catholic beliefs. The initial production of the knowledge happened almost 2000 years ago, so most of the current production takes place in providing the various services associated with this knowledge to the clientele. Bibles and other literature are published, but this is a small part of the total costs.

Using the club-like output of church services and lay organizations, the Church tries to attract, recruit and keep members. The Catholic Church in particular has long been known as a producer of elaborate masses with all the trappings of

incense, decorative garments and decorated churches. Another part of the club aspect are the societies of religious and secular catholics. They are simultaneously members (consumers) of the club, and producers of services within that organization. Some examples are the Franciscan Order, the Society of Jesus and the Carmelite Order for Women.

The religious leader, the pope, is chief executive officer and the star performer.⁸ As in other religious firms, he helps to generate publicity and revenue from his various activities. It was estimated that by 1985, pope John Paul II had been seen in person by more people, about 200 million, than any other man in history.⁹ He also authors the most important decrees and directs the Church's global operations. Since 1870 some papal decrees are considered infallible.

Education plays a key role in ensuring the transmission of beliefs to members' children. Seminaries, universities and other institutions train the specialists who will eventually become employees of the church.

There is also a judicial function in the Church which perhaps compares more closely to a government than to a firm. The tribunals settle disputes and administer justice on various issues. Providing for the forgiveness of grave sins is a top-level service related to the product of salvation.

⁸ Robin Greenwood, "Towards a church of the people," Theology, 86, November 1983, p. 419; and "John Paul, Superstar," Time (cover story), October 15, 1979.

⁹ Jones and Hebblethwaite, "Appraising," p. 10.

Diplomacy, yet another service, promotes the security of customers of the Church as well as its physical assets in many nations. The Secretariat of State, the Council for Public Affairs and the diplomatic corps (nuncios and apostolic delegates) maintain relationships with countries around the world.

ORGANIZATIONAL STRUCTURE

The corporate structure of the Catholic Church exhibits characteristics of a mixed functional/divisional firm, or of a matrix structure. An organizational chart has been devised for the central bodies of the head office at the Vatican, the Roman Curia (see Figure 3 and Appendix A.3). It should be clear that this paper is concerned with the organizational structure of the whole firm, but concentrates primarily on the head office, the Roman Curia.¹⁰ Interestingly, Peter Drucker noted similarities between the senior management structure of General Motors and the Roman Curia.¹¹ Whether the central departments of the Curia currently have an actual operating responsibility or merely provide advice for the bishops will depend on the nature of the

¹⁰ The diocesan structure differs for each diocese, depending on population, country and other interests of the bishop. It parallels that of the Roman Curia, having a bishop as divisional head, advisory and consultant groups, and directors to look after functional or geographic offices. See Petrus Canisius van Lierde, The Holy See at Work: How the Catholic Church is Governed, trans. by James Tucek, (New York: Hawthorne Books, Inc., 1962), p. 25.

¹¹ Peter F. Drucker, Concept of the Corporation, (New York: The John Day Company, 1946), p. 44.

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MicroD

The Roman Curia¹

issue that has prompted the interaction.¹² Pope Paul VI said the Curia should be at the service of bishops, not dominate over them.¹³ Nevertheless, in certain areas of morals and faith, the center is capable of exerting great pressure on peripheral units and indeed has a mandate to correct 'errors'.

The top level executives of the Holy See (Figure 3: A) are the pope, the Secretary of State, and his substitute (Sostituto). The power of the papacy extends over all members of the Church directly. The pope is responsible for administering the whole Church and guarding its orthodoxy. He exercises full administrative, judicial and executive authority.¹⁴ He enacts ecclesiastical law, creates bishops, and grants dispensations from vows and other obligations. He confers the title of cardinal, and makes appointments to all major posts in the Roman Curia, the central offices of the Vatican. In all canonical disputes, he is the court of final appeal. As the bishop of Rome, the pope conducts pastoral work. He acts as temporal sovereign of the Vatican City State and is entitled to full diplomatic status.

Directly beneath the pope, the Secretariat of State has a

¹² For a summary of the activities and jurisdictions of the bodies of the Roman Curia, see Appendices A.1 and A.2.

¹³ Peter Hebblethwaite, The Runaway Church, (London: William Collins Sons and Co. Ltd., 1975), p. 80.

¹⁴ Peter Nichols, The Pope's Divisions: The Roman Catholic Church Today, (London: Faber and Faber, 1981), p. 113.

coordinating, advisory and supervisory role.¹⁵ The other departments of the Curia have their work supervised by the Secretariat, which then may revise and duplicate it. It channels contacts between the pope and the Curia, the pope and the bishops, and the pope and the cardinals. The Cardinal Secretary of State has the closest and most frequent contact with the Pope. Attached to the Secretariat is the Commission for Social Communications, having a Press Office and Film Unit responsible for public relations activities.¹⁶

Working with the Council for Public Affairs, the Cardinal Secretary of State directly controls all diplomatic functions through the diplomatic corps. Vallier observes that in many ways "a continuing validation of the Holy See's spiritual authority is highly dependent on its capacities as a political and diplomatic actor."¹⁷ Submitted to rigorous selection and training, the corps of nuncios and apostolic delegates provide communication and negotiation channels between the Vatican, bishops and governments. Their work is important for maintaining working relationships with host governments around the world, and for

¹⁵ George Bull, Inside the Vatican, (New York: St. Martin's Press, 1982), p. 101.

¹⁶ In spite of its work, Andrew Greeley, an American priest, has lamented the lack of "sophisticated and competent public relations institutions within the Church." In the absence of a consistently delegated function, an ad hoc approach to the press can be inept and harm the Church's image. Still, a permanent press corps at the Vatican give it free publicity, good and bad.

¹⁷ Ivan Vallier, "The Roman Catholic Church: A transnational actor," International Organization, 25(3), Summer 1971, p. 485.

monitoring the 'well-being' of the Church in the country to which they are assigned. They help to secure the safety of Catholics to practice their religion, as well as the security of the Church's physical assets, its real estate and labor force. Like the lobbyist for a private firm, the Church tries to influence and control its market environment as much as possible. For this reason, the Holy See has an observer mission to the United Nations and its agencies, as well as other international or multilateral organizations.¹⁸ The Council for Public Affairs advises the Secretariat and the diplomatic corps regarding church and state matters, especially the negotiation of treaties.

SACRED CONGREGATIONS

The Sacred Congregations comprise the main legislative and executive bodies of the central administration (Figure 3: E). While they are responsible for a variety of functional and geographic activities, all of them monitor orthodoxy as part of the overall objective of the religious firm. Consequently, many of their decisions are guided by this concern.

As arguably the most important department after the Secretariat, the Congregation for the Doctrine of the Faith disciplines unorthodox developments within the Church. It can be seen as a functional department with a global scope. Since

¹⁸ For a list of organizations in which the Holy See participates, see The Holy See and the International Order, Hyginus Eugene Cardinale, (Toronto: Macmillan Company of Canada Ltd., 1976), chapter 9.

orthodoxy pertains to all aspects of Church operations, the Congregation for the Doctrine of the Faith effectively has a veto over other departments.¹⁹ It constantly produces literature and pronouncements on the central core of knowledge, and in a sense acts to ensure quality control of the spiritual product. It also has a strong tribunal and disciplinary function, as its competence extends to granting priests dispensations from their vows, as well as annulments for valid marriages.²⁰ After its investigations of Hans Kung, for example, it declared that he was no longer considered a Catholic theologian. The decision aroused controversy because Kung at that time held a professorship of theology at the German state University of Tübingen. In a compromise between the three parties, Kung changed his position to a professor of ecumenism.²¹

The Catholic Church relies on a variety of packaging and marketing tools. It has invested considerable resources into publishing, architecture and ceremony to attract and keep its members. Some central marketing functions are handled by the Sacred Congregations for Saints, and that for Sacraments and Divine Worship. Saints act as marketing tools to foster individual loyalties between followers and their particular Church. The congregation receives nominations for sainthood from

¹⁹ Jones and Hebblethwaite, "Appraising," p. 20.

²⁰ Official Catholic Directory, 1986, xiii.

²¹ Eric O. Hanson, Catholic Church in World Politics, (Princeton: Princeton University Press, 1987), p. 106.

any bishop around the world, creating a trial process for canonization.

Of the Sacraments and Divine Worship departments, the first has competence over the rite, doctrine and administration of the seven sacraments of the Latin churches even in missionary areas. The second ensures uniformity in liturgical services. They combine varied functional activities in marketing, since the liturgy and worship are methods of packaging the knowledge product. It is important to note that the sacraments also have a product aspect, since they are the means by which members can reach salvation.

Other central marketing activities fall under the Palatine Administration (Figure 3: D). It issues a daily newspaper, L'Osservatore Romano, a semi-official publication. The Polyglot Press and Publishing House print books and publications by the Curia. Another marketing tool is Vatican Radio, broadcasting to Europe, Asia and Africa. Not all information is produced at the center, however. Catholic theologians publish extensively on their own. In view of the importance of maintaining orthodoxy and consistency, the center strictly controls other publications through prior and post publication censorship.²²

Some of the central tasks have been divided into geographical areas, for those churches that use the Latin and those which use the Oriental (or Eastern) Rites, and territories which do not yet

²² Lincoln T. Bouscaren and Adam C. Ellis, Canon Law: A Text and Commentary, (Milwaukee: The Bruce Publishing Company, 1957), p. 753.

have a diocesan structure. Within the area of Latin rites, there are four functional-divisions: Sacred Congregations for the Bishops, Clergy, Education, Religious and Secular Institutes.

The employees of the Church, from cardinals to bishops (and vicars apostolic) to priests present the doctrine by example. In a sense they too are part of the product:

Clerics must live both interiorly and exteriorly a holier life than lay people...This is the primary and fundamental obligation of clerics and especially of priests. Their example will be more powerful than their preaching.²³

In a sense, both the Congregations for Bishops and for Clergy discipline the activities of the employees because they can affect the doctrinal product of the Church.

Thus the Sacred Congregation for Bishops handles this product aspect of the (roughly) 3,900 bishops, in so far as they represent the product by their behavior. The distribution function — overseeing the modification or creation of new dioceses, and the nomination of bishops — has particular importance because it means choosing the next generation of ecclesiastical leaders. It also is used as a way of influencing and controlling events in the periphery, whether in regard to state or subsidiary activities.²⁴ Often the head office will use this power to counter with conservative appointments too-progressive tendencies in episcopates. The monitoring of the financial health of the subsidiary units, the dioceses, occurs in

²³ Bouscaren and Ellis, Canon Law, p. 105.

²⁴ Hanson, The Catholic Church in World Politics, p. 67.

the Sacred Congregation for Bishops. A bishop must submit a report to this body every five years, assessing the health, both financial and spiritual, of his diocese (Figure 3: I).

As heads of geographic divisions, the dioceses, the bishops share responsibility with the pope for the administration of the Church in the individual diocese.²⁵ Each has joint executive, judicial and administrative powers. They create parishes, make appointments and conduct all affairs within the diocese. Among the bishops' sources of revenue are "annual parish contributions for cathedral and diocesan administrative expenses, for diocesan seminary, and the proceeds from such other extraordinary collections as he may request."²⁶ The bishops since Vatican II have been encouraged to establish national episcopal conferences, which promote exchanges of information and occasionally legislative decisions on issues specific to the country.

Priests are responsible for administering all the various services provided by the Church at the parish level. They receive authority to dispense the sacraments from the bishops. The clergyman is a professional, an "educated man who has been sanctioned by peers and superiors to be expert in rendering

²⁵ Edwin Samuel, "The Administration of the Catholic Church", Public Administration in Israel and Abroad, 7, 1967, p. 99.

²⁶ Elizabeth M. Lynskey, The Government of the Catholic Church, (New York: P.J. Kenedy and Sons, 1952), p. 24.

services through the institutional church."²⁷ The Sacred Congregation for the Clergy monitors priests' behavior, priests' councils, programs for pastoral renewal and for priests' spirituality to keep the services for customers invigorated.²⁸ It also administers the distribution of priests, to help areas experiencing shortages of manpower. The Congregation can intervene to forbid certain activities of priests like participation in partisan politics (for example, Father Drinan as a Democratic representative of a Massachusetts district) or joining a state run association (the Czechoslovakian 'Pacem in Terris' organization).²⁹

The congregation for Religious and Secular Institutes administers at head office the affairs and problems associated with the catholic clubs aspect of religious Orders (Figure 3: J).³⁰ The religious are distinguished from the seculars by their vows of poverty, chastity, obedience and a commitment to living in communion with other religious. As clubs of like-minded individuals, each has its own mandate, from operating health services to schools. These groups use the members in labor-intensive occupations, taking advantage of their

²⁷ Douglas T. Hall and Benjamin Schneider, Organizational Climates and Careers: The Work Lives of Priests, (New York: Seminar Press, 1973), p. 25.

²⁸ The Vatican and Christian Rome, (Vatican City: Libreria Editrice Vaticana, 1974), p. 19.

²⁹ Nichols, The Pope's Divisions, p. 354; and Hanson, Catholic Church in World Politics, p. 22.

³⁰ Official Catholic Directory, xiii.

willingness to work for little compensation other than the exclusiveness of the lifestyle. Its jurisdiction is personal, not limited by territory, except on specific matters which are deferred to the Congregations for Doctrine of the Faith, for Bishops, Oriental Churches and Sacraments. It does not control religious Orders involved in missionary work. Financial functions are decentralized, with each Order being self-supporting.

The Congregation for Education centralizes control over the government, discipline and administration of seminaries and Catholic universities, and the disciplinary-administrative, pedagogical and religious-moral aspects of parochial schools.³¹ Education represents one of the most important avenues for the Church to ensure a future clientele. The internalization of beliefs can be initiated as soon as the children begin attending schools, and continue on in universities. Until Vatican II, parents were required by canon law to enroll their children in Catholic schools. While universities may run themselves fairly independently, the Vatican will intervene in certain situations, according to guidelines established on orthodox teaching at Catholic universities, proposed by this Congregation.

Other educational outputs of the Church include seminaries. Canon law declares that every diocese shall have a seminary, sometimes two, one for training boys in literary studies and

³¹ Niccolo del Re, La Curia Romana, (Roma: Edizioni di Storia e Letteratura, 1970), pp. 178-79.

another for those studying philosophy and theology.³² The seminaries help to nurture "the germ of a vocation ... especially by protecting the young soul in whom it is planted from the contamination of vice."³³ They will train future employees and ensure a labor pool from which the Church can draw.

The second geographical division is the Sacred Congregation for the Oriental Churches. There are Catholic Churches in Asia and the Near East which recognize the supremacy of the pope but which were generally recognized to have split from the Roman Church centuries ago.³⁴ They have separate liturgy and rites from the Latin Church, often based on ethnic ties. As a result, the territories of each rite overlap and create a complex of jurisdictions and hierarchies. What the congregations for Bishops, Clergy, Religious and Secular Institutes, and Catholic Education do for the Latin churches, this Sacred Congregation does for the Oriental Churches.

The third geographically-based division, the Propaganda Fide, or the congregation for the Evangelization of Peoples, works particularly with the member (sales) maximization objective. In order to reach new converts,

³² Bouscaren and Ellis, Canon Law, p. 737.

³³ Ibid.

³⁴ Technically speaking, the Eastern Churches are in 'schism' with the Roman Church, which means that their disagreements have a non-doctrinal basis -- it is not as serious as being excommunicated. The date of separation is generally recognized as 1054.

the Roman Catholic Church developed admirable

... structures for carrying out these missional activities in the various lay and priestly religious orders. These have been permitted to be self-governing internally. Teaching orders, missionary order, charitable and serving orders could focus on their own particular missional interests, and they had free access to Church members to develop support and collect funds.³⁵

In such a labor intensive approach to selling, ie. door-to-door, it is not surprising that the Church uses its least costly laborers.³⁶ The congregation administers, coordinates and allocates resources in missionary territories in Africa, the Far East, Australia, New Zealand and areas of Europe and the Americas (Figure 3: J).³² It operates as a financial-center, gathering its funds from global donations and redistributing them for production, distribution, research and other functions. Under the Congregation are a series of Commissions administering these functions.

The commission administering Vatican City State is also a geographic division (Figure 3: D). Under its auspices fall the

³⁵ Richard G. Hutcheson, Jr., "Pluralism and consensus: why mainline church mission budgets are in trouble," Christian Century, 94, July 6-13, 1977, p. 619.

³⁶ The religious Orders by definition take certain vows, usually poverty, chastity, obedience and obligation to live in communion with other religious. Sometimes they turn over all personal possessions to the Church, and of course, work for the support of the Order, which in turn provides basic necessities. In the non-working female orders, each new entrant is required to supply a dowry which will support her for the rest of her life in the Order. Every Order should be self-supporting in some way, either through begging, providing a service, or working.

³² Robert Graham, Vatican Diplomacy, (Princeton, New Jersey: Princeton University Press, 1959), p. 149.

monuments and museums, the observatory, radio station, villas and technical services. Its assets are ancient artifacts and art treasures which the Church is reluctant to liquidate, but yet earn no interest. Some of them may be sent on tours to art museums. Those which are immovable attract tourist revenue in Vatican City and various other churches. The commission is a profit center to the extent that the tourist revenue offsets the costs of maintaining the state.

SECRETARIATS

The Catholic Church affirms certain immutable aspects of its doctrine and structures. However, it does conduct investigations into its dogmatic sources, and the claims of science and of other religions. Research takes place in the various Secretariats for Christian Unity, Non-Christians, and Non-Believers and in the Commissions for the Revision of Canon Law, the Councils for the Laity and for Justice and Peace (Figure 3: F). In a sense the Church uses its resources to try to 'best' the competition with informed dialogue. The Council for the Laity allows non-ordained members of the Church to channel their opinions and try to influence the direction of policies, much like shareholders do (only the latter have more control). The Justice and Peace Commission researches problems of development in the Third World as it relates to policies, providing "an alternative source of information and judgement on political events".³³ In this role

³³ Hebblethwaite, The Runaway Church, pp. 182-184.

the Commission at times has challenged the views of the Secretariat of State, with which it works closely.

TRIBUNALS

Through the development over the last 1000 years of a code of canon law, the Church performs a judicial function. Laws designed to protect the faith and the faithful from corruption necessitate structures to adjudicate disputes. The tribunals (Figure 3: H) represent the highest, supreme courts for judging matters such as allowing annulments, marriages between faiths, ~~for~~forgiving grave sins. The judicial responsibilities of the Curia have been delegated to three bodies: the Sacred Apostolic Penitentiary, the Supreme Tribunal of the Apostolic Segnatura and the Roman Rota. The first examines cases of conscience, called matters relating to the 'internal forum'. Such cases refer to granting of absolutions for the gravest of sins, dispensations, or the release from secret vows, commutations, issuing sanctions and condemnations.³⁴ It also grants and controls the use of indulgences. During a conclave to elect a new pope, the only cardinal allowed contact with the outside is the prefect of the Apostolic Penitentiary, who can leave in order to forgive a grave sin to someone dying.

The Segnatura's first duty is to review the laws and legal forms used, or applied in the Roman Rota. It upholds correct

³⁴ Petrus Canisius Van Lierde, The Holy See at Work: How the Catholic Church is Governed, (New York: Hawthorne Books, 1962), pp 130-133.

juridical procedures over the universal Church, except where the Congregations for the Doctrine of the Faith, for the Oriental Churches, or for the Sacraments have jurisdiction. Any conflicts about areas of competence which arise between departments of the Curia are investigated and judged by a second section. The pope may refer special cases to it as a court of first instance.

The Sacred Roman Rota is primarily a court of appeal, hearing cases brought to it from regional, metropolitan and diocesan tribunals. The subjects of concern comprise contests between persons and institutions, Holy Orders, criminal cases, and the nullity of marriage cases, its most common case.³⁵

OFFICES

The Offices of the Curia (Figure 3: 4) comprise first the Apostolic Camera, which is responsible for all administrative duties during the interregnum, after the death of a pope.

The next two major offices deal with financial responsibilities. The Prefecture for the Economic Affairs of the Holy See arranges the criteria for annual reports of the various departments and congregations.³⁶ Until Vatican II (1962-65), no central balance sheet was drawn up for the Roman Curia. Since then, an attempt has been made to regularize the accounting system. The Prefecture investigates the accuracy of the financial reports and has the power to initiate criminal or civil

³⁵ Ibid., p. 136.

³⁶ Bull, Inside the Vatican, p. 235.

action if there are discrepancies. It consolidates the reports into one balance sheet giving an overall financial picture of the Church. Excluded from the balance sheet are the finances of Propaganda Fide, Vatican City, the Sacred Congregation for Oriental Churches, the upkeep of St. Peter's and the Institute for Religious Works (Vatican Bank).³⁷ The considerable funds of the Vatican Bank belong primarily to religious Orders, but the profits go to the Holy See.³⁸

The Administration of the Patrimony of the Holy See manages the Vatican's real estate investments and oversees the stock-market investments made with the settlement money from the Lateran Treaty in 1929.³⁹ It gathers revenue from parish and diocesan dues.⁴⁰ According to one estimate, the revenues of the Catholic Church have risen four-fold in the last fifty years

³⁷ Nichols, Pope's Divisions, p. 120.

³⁸ Ibid., p. 242.

³⁹ The Lateran Treaty between Rome and the Holy See settled the claims of the Catholic Church to lands confiscated in 1870. It provides for a separate state within the walls of Vatican City, as well as a few locations outside the walls. The coins and stamps of the Vatican City are honored by the Italian authorities. The status of Vatican City as a state entitles the nuncios to full diplomatic immunity, and all the sovereign rights accorded to other states -- i.e. the Holy See is recognized as an having full juridical status in international customary law, based on its spiritual, not temporal, sovereignty. See: Vallier, "The Roman Catholic Church", p. 485.

⁴⁰ In the past, the Church or its patrons established perpetual foundations. They provided steady income, avoiding the uncertainty of "people's temporary generosity". Without these, the Church reserves the right to levy a tax on all catholics.

while expenses have jumped twenty-fold.⁴¹ The deficit is made up partly by the collection of Peter's Pence (a global tax) and alternately by the investment earnings mentioned above. A handful of times the Vatican has been known to borrow to overcome shortfalls, but usually it generates its own funds whether for operating or capital purposes.

Many offices which look after the affairs associated with the pope and his living quarters are grouped under the Prefecture for the Pontifical Household. This includes the Swiss Guards, the palazzi, the ceremonies and audiences with the pope.

The Central Statistics office functions as a collector of data for the Church and the bishops. It has a close association with the Secretariat of State.

Once the analysis proceeds to the historical study of strategy and structure, it will become evident why the central administration is organized along these lines. Control remains centralized over the crucial areas of monitoring orthodoxy, Vatican affairs of state, curial finances, and marketing and

⁴¹ George Bull, Inside the Vatican, p. 239. To minimize costs of the field units, the hierarchy restricts the labor supply to keep costs down. To avoid having an overabundance of priests in one area, canon law stipulates that an opening must be available before the new priest can be ordained. Gifts to the parish become the property of the 'whole Church' and must be used to pay debts or to invest. While it may be "utterly out of place" to charge for confession and holy communion, many priests earn a considerable amount of money from mass stipends. The Catholic Church has no minimum salary for priests; they earn what is collected from congregational offerings, supplemented by marriage and baptismal fees. In other field units such as convents or schools, it controls expenses by requiring each institution to be self-supporting.

publishing. Global issues in the areas of education, clergy, bishops, missionary territories, oriental churches, sacraments, saints and religious Orders are handled by the central departments. But wherever the duties and responsibilities can be done locally, they are delegated to the peripheral units. This concerns the lines of authority and communication and the degree of centralization.

LINES OF AUTHORITY AND COMMUNICATION

Most simplified images of the Church suggest hierarchical and authoritarian lines of authority. To admit that the rules of the Catholic Church embodied in canon law⁴² are undemocratic does not mean that there cannot be fluctuations in the exercise of authority within the structures. With such an ancient institution one would expect to find shifts in authority over time and indeed this is true for the Church. For example, while the pope has almost complete autonomy in managing the business, the official and universal infallibility of some of his teaching is a recent development. It emerged at the First Vatican Council of 1870, the culmination of the centralizing tendencies of the previous 300 years.

The heads of the congregations, secretariats, tribunals and offices of the Curia, primarily cardinals, act like vice-

⁴² Canon law comprises all of the papal bulls, letters, pronouncements, curial decrees and tribunal decisions, as well as ancient codes of conduct, and rules that make up the laws of the Catholic Church. They have been codified in 1917 and 1983.

presidents of a firm in charge of functions or operating divisions. In a matrix-like organization, the bishops may report to two (or more) parts of the head office organization, one responsible for particular functions and one for a geographic region. The bishops answer to the Congregation for Bishops regarding their diocese, and to other functional departments on specific issues. Control is maintained on one side by rules regarding decision-making: important documents must be signed by the pope. The congregations may issue decrees and judgments on certain issues. Informational flow between the Curia and the pope is orchestrated by the Secretariat of State on a daily basis. In this capacity the Cardinal Secretary resembles an executive assistant to the CEO. An argument could be made that the pope's role as leader and publicist may allow little time for the "planning, organizing, staffing, policy making, coordinating, budgeting and motivation" activities usually performed by the CEO. His time may be valuably spent as the performer, as he is probably able to generate more income or goodwill in this role.⁴³ The Secretariat and the Curia have assumed some of his responsibilities over time.

At the diocesan subsidiary-plant level (Figure 3: I), the bishops exercise rights and responsibilities similar to the vice-president of a profit center. The interpretation of faith and

⁴³ In fact, Peter's Pence, the annual tax, does reflect the popularity of the reigning pontiff. It apparently rose to very high levels under John XXIII, fell under Paul VI and has risen to new heights under John Paul II. Nichols, Pope's Divisions, p. 121.

morals are subject to strict control by the pope through the local nuncio (Figure 3: C), if the bishop makes a serious error. In all other areas of personnel, finance, education, pastoral work, the bishops have more autonomy.⁴⁴ The bishops report on their diocese every five years, but may consult the head office departments whenever they require advice. Information also flows between the national bishops and the papal delegate for their country.

The relationship between a country's nuncio or delegate and the national episcopate can turn contentious. A basic complaint is the influence nuncios have over the appointment of bishops. By reason of the nuncios' observations and knowledge of the 'state and condition of each Church' in his country, he selects candidates for bishoprics from a list prepared by the episcopate and is asked to give "his own opinion and preferential vote."⁴⁵ In areas where local views differ significantly from the Vatican, the national episcopate may resent interference by the nuncio in choosing an unpopular candidate. The Vatican may try to moderate progressive tendencies by appointing known conservative candidates as nuncios or bishops. Hebblethwaite goes so far to say: "...the nuncio, pronuncio or apostolic delegate has something of the Vatican spy."⁴⁶ The presence of the nuncio in this case indicates the primacy of the papacy over the

⁴⁴ Bouscaren and Ellis, Canon Law, p. 172.

⁴⁵ Nichols, Pope's Divisions, p. 125.

⁴⁶ Hebblethwaite, Runaway Church, p. 80.

episcopate.

Nevertheless, the bishops in recent years have been asking for more participation in central decision-making. The concept of collegiality, of sharing papal power with the bishops, gained ground in the discussions at Vatican II. Since then, the bishops have convened in the episcopal Synod every three years, but their power extends only to making recommendations to the pope (Figure 3: B). The last major synod in December 1985 appeared to be moving slowly toward exploring the potential of the synodal format for contribution to the governing of the whole Church.⁴⁷ In contrast, more legislative power has been exercised in the episcopal conferences. The Latin American Bishops' Conference (CELAM) and the National Council of Brazilian Bishops (CNBB) have proved a strong force in Latin America. Their strength is due to various historical trends in Latin American Catholicism and has enabled the conferences to pursue progressive sociopolitical orientations often in opposition to authoritarian regimes, as well as to Vatican strategies.⁴⁸ In general they adapt to local circumstances.

Problems stemming from the centralization of authority are not limited to the episcopacy. The Church has come under fire from within, for not allowing priests and laity to participate

⁴⁷ Globe and Mail, December 9, 1985.

⁴⁸ Hanson, Catholic Church in World Politics, pp. 70-74.

more in decision-making.⁴⁹ Priests are often considered "to be incapable of reflection, or being able to organize and make decisions about matters affecting the unity of the church."⁵⁰ This, in spite of the fact that priests are juridical auxiliaries to bishops.

The frustration experienced by some priests is symptomatic of a larger problem in the methods of recruitment. The Church is becoming less able to offer the kinds of rewards and motivations needed to have a sufficient labor force. People are appointed for positions by their superiors, and not always on the basis of competence. According to Andrew Greeley, the Church lacks a system of merit promotion, and often overlooks administrative and policy-making talent because people are not conservative enough to be "safe".⁵¹ It may be losing valuable labor because it fails to promote its most promising people to top positions of responsibility at an early enough age. In the U.S., priests may wait 30 years for a position of responsibility as a bishop.⁵² A similar pattern applies to positions in the Curia: "Not only are there no MBAs, there is no career ladder, no recruiting process, no way of applying to join, no on-the-job management skills

⁴⁹ Leonardo Boff, Church: Charism and Power, trans. by John Dierksmeyer, (New York: Crossroad, 1981).

⁵⁰ Ibid., p. 34.

⁵¹ Andrew Greeley, "A social organizational view of the Catholic Church," in We Are the People of God, edited by James A. Coriden, (Huntington, Indiana: Our Sunday Visitor, 1967), p. 84.

⁵² Ibid., p. 87.

training."⁵³ The pope will appoint cardinals who share his views, rather than those with the most appropriate experience. It was generally-accepted practice during the Renaissance to award "the red hat" (title of cardinal) to members of the pope's family. Many of the positions carry political implications, so whether the employee is 'liberal' or 'conservative' becomes important, depending on the pope's personal inclinations. On the other hand, the rewards for employees may tend to come from the power and prestige of top level positions like nuncios or cardinals. The Church may also rely on spiritual rewards which employees can derive from being a part of the 'club'.

This brief overview shows the current functions and organization of the Catholic Church. It is the culmination of over 400 years of change and response in society and in the Church itself. The current structure of the Catholic Church bears more than a little resemblance to the structures of some firms. This should not obscure the fact that it has many distinctive characteristics which do not always fit easily into a theory of private firms. The following summary will assess the current structure and organization of the Catholic Church as discussed above in terms of its resemblance to private firms.

SIMILARITIES OR DIFFERENCES TO PRIVATE FIRMS

Like private firms, the Catholic Church has specific goals, if more diffuse or spiritual. Its primary focus will always be

⁵³ Jones and Hebblethwaite, "Appraising", p. 20.

global membership and the perpetuation of the orthodoxy of the dogma and the Church as an institution. These concerns resemble not short-term profit maximization, but rather a long-term sales- or member-maximization strategy or survival.⁵⁴ When the Church pursues policies that may alienate its customers, it may not appear to be following a strategy of long-term survival. On the other hand, what seems to contradict a maximization of sales strategy is really just a different survival tactic. The nature of the central doctrine, its unchangeable quality, dictates certain limitations that do not apply to firms in other industries. Although the three Secretariats and the councils for the Laity and Justice and Peace conduct research, they do not intend to alter the central core of knowledge. If firms tend to adapt by developing new products and persuading consumers to switch, religious firms convince consumers not to switch precisely by not changing the product. (Coke classic is an example of where consumers wanted orthodoxy.)

If the importance of orthodoxy means that the Catholic Church often cannot accept customers' demands for change, it consequently may lack a system for registering discontent among members. For example, it may not keep track of followers who switch to another faith. Without a system for feedback, the central administration can become sheltered from the opinions of

⁵⁴ Parallels could be drawn between the Church and a magazine publisher, where the goals are to keep current subscribers and encourage them to order more magazines, as well as to increase overall circulation by recruiting new subscribers.

the clients to a greater extent than a private firm. However, individual subsidiary bodies in the Church may develop subgoals to fit the local context, ones which can conflict with the strategies of the central departments. The pope cannot fire independents, but must use disciplinary power to persuade a change of heart. He may appoint an auxiliary bishop to take over activities of a diocese, leaving the original bishop simply with a title but no control. This happened in the case of Archbishop Hunthausen of Seattle, whose diocese came under investigation by the Vatican. Aspects of his ministry had created 'concerns' in the center administration, which then directed Hunthausen to turn over decision-making power to a newly appointed bishop.⁵⁵ Thus to control activities in the subsidiary units the pope and the Curia use appointments of bishops. They may choose conservative ones to balance progressive movements, as in Latin America, or 'outside' bishops to shake up a national episcopacy.

One of the most powerful tools at the pope's disposal is to attack the orthodoxy of segments of the Church, whether bishops, priests or theologians. The pope can effectively criticize a social or political policy by tying it to doctrinal unorthodoxy. Working through the Congregation for the Doctrine of the Faith, the Vatican can forbid teaching activities, public statements, or participation in public life.⁵⁶ To the extent that such punishments can create rifts between the center and periphery

⁵⁵ Hanson, Catholic Church in World Politics, pp. 81-83.

⁵⁶ Ibid.

they can damage the Church's image and the Vatican will probably look for 'the lesser of two evils'. On the one hand, the pope has more limited means of control than a CEO over the subsidiary units. On the other hand, his position is monarchic. He cannot be removed by a board of directors or by shareholders. He is pope for life.

Production processes have the characteristics of communications firms or companies investing more in the distribution and marketing of a service than in manufacturing any good. The Catholic Church depends heavily on the public relations activities of its leader, the pope. Unlike a religious leader, the CEO of a corporation will not try to generate revenue by himself. Lee Iacocca has persuaded people to buy his company's cars by appealing to them directly through the media; but it is doubtful that he could convince them to donate extra money to the corporation. Conversely, the pope is able to attract resources by his personality and position. Catholics appear to receive intangible benefits from contributing to the well-being of the organization.

The employees differ from their counterparts in other firms. They present the doctrine and other services, while simultaneously representing the Church by their lifestyles. Their behavior can enhance or damage the Church's image. Outspoken employees probably receive more attention in the media than employees in other firms, whenever they contradict the policies of the top level. As mentioned earlier, the consumers

of the religious product also act as producers. They provide a set of inputs in the form of volunteer, free labor or increased special donations generated from the benefits the customers receive in return.

In general the role of the Catholic consumer can be different from the somewhat more impersonal relationship of the purchasers of other products. Reluctant to switch firms when dissatisfied, clients must find other ways to register their discontent. In fact, one of the major complaints about the Catholic Church has been the lack of representation allowed for interests of the consumers, who sometimes would like to act as shareholders to direct the progress of the firm, but find they do not have the powers of their private sector counterparts. Peter Hebblethwaite and Arthur Jones claim that "for the first time since the Protestant Reformation, the 'consumers' want to be heard."⁵⁷ The laity does organize into groups to try to address problems or to influence the decisions made by management. A direct parallel with shareholders would not be correct since no contractual obligations exist, and the laity will not receive returns on invested income. However, they can be seen as attempting to influence a perceived future stream of benefits rather than money. Like holders of preferred shares, the religious shareholder/consumer receives benefits from investing but may have little or no input into decision-making. In short, the

⁵⁷ Jones and Hebblethwaite, "Appraising Peter's pence and power," p. 9.

Catholic client can play a variety of roles, including customer, investor and producer.

Over the centuries the Church has diversified its income stream. It sometimes taxes its members like a government, not a firm. It relies on investments in real estate, stocks and bonds to make up for the uncertainty of future voluntary donations. When losses do occur, like a firm the Church can increase its debt, or call on the support of its members to contribute more. Debt financing may be limited by the non-liquidity of the Church's assets but perhaps enhanced by the Church's connections to wealthy members. The second strategy represents a difference to private firms, in that the loyalties of the religious customers are often stronger and may be the basis for credit ratings of dioceses.

The organization of the Catholic Church shares with other complex firms a mixed functional and divisional organization, although the jurisdictions and functions may not always be clear-cut. But the fact that bishops are responsible to different functional departments at head office as well as to the Congregation for Bishops for their whole diocese indicates a structure closely comparable to a matrix. Problems of overlapping jurisdictions of the central departments is historic and the Secretary of State is required to coordinate their work. Many of the activities do not directly produce revenue, like public relations, education, marketing, diplomacy, for example, and have not been decentralized because it costs less to

centralize their administration. Instead, the Church makes the geographical divisions self-supporting where possible, then taxes them to support other activities.

It is the intangible properties of the central core of knowledge and beliefs that has determined the vertical and horizontal integration of various activities. Both for reasons of standardization and of safeguarding orthodoxy, the Church has chosen to minimize transactions costs by centralizing marketing, diplomacy, publishing, and setting standards for, and monitoring the conduct of bishops, priests, religious and secular institutes and educational institutions. It has diversified and created internal markets for some outputs, like education in seminaries, as well as health services for its members. In the discussion on firms in chapter one, it was noted that the market will not give fair value for intangible assets which are public goods. Considering that the Church bundled its product with various assets, like the expertise and training of its employees, it can reduce costs by internalizing other related functions so that unbundling is not an issue. Perhaps a more important concern, however, is maintaining control over all activities with which the doctrine is associated.

International coverage and expansion have been an integral part of the Catholic Church from its inception. The growth of multinational enterprises (MNEs) has been traced to theories of product life cycles, market saturation, and risk diversification, among others. In the case of the Catholic Church, its initial

marketing mandate was global. It started as a multinational enterprise. Christian theology dictated this strategy, rather than the economics of the organization. Today it is true that revenue collected from richer subsidiaries supports missionary efforts in poorer areas, but this is not the primary reason for multinationalism in the Church. Often its expansion is not revenue-maximizing. The push into foreign markets is made whatever the projected revenues. It may be said, however, that the relative emphasis placed on an international growth strategy over time may be influenced by market factors.

Given the truly monumental spread of the Catholic Church—there are Catholics born into every country in the world except eight⁵⁸ —, the implications for nation states are just as important as the perceived activities of multinational enterprises. The activities of the Curia, the leadership of the pope, and in fact, "almost any decision of a Roman organ has a relevance to the faithful of at least one country and therefore perhaps to their government."⁵⁹ The extent to which Catholicism is established in a country will clearly determine how much a state will take it into account.

The Church has an advantage over other private firms in that its diplomatic status allows it to lobby governments. The Secretariat of State, through the nuncios, tries to ensure a hospitable environment for Church operations, without threat of

⁵⁸ Jones and Hebblethwaite, "Appraising," p. 9.

⁵⁹ Graham, Vatican Diplomacy, p. 144.

confiscation, interference or taxation. Because of the objective of orthodoxy, the Church prefers to establish wholly-owned subsidiary units, as opposed to joint ventures. Giving up control in a joint undertaking with governments can mean exposing the institution or the doctrine to unfavorable influences. Moreover, the Catholic Church may have less desirable resources to offer the state in terms of resources, employment, and technology compared to firms in other industries, and it may espouse views that are politically disturbing, which is not the case for the products of multinational banks or computer firms.

In a showdown with states, the goal of global membership takes precedence over the desire for complete control. In some cases, the Catholic Church is forced into negotiations with states and to accept compromise agreements or situations. Even if a government persecutes the Church, it will not withdraw voluntarily, abandoning its followers. Even if remaining entails losses of physical assets, the Church will not 'close down' its dioceses. In this example, a difference exists between private firms and those motivated by religious goals.

Doctrinal pronouncements for the whole Church will be issued from the center. The Church as a self-interest group will try to have governments implement policies that reflect its views.⁶⁰ Host country policies may be affected by statements on abortion, divorce or birth control, for example. Some of the

⁶⁰ Leo Pfeffer, "What hath god wrought to caesar: the Church as a self-interest interest group," Journal of Church and State, 13, Winter 1971, p. 99.

Congregations, such as for Bishops, for the Clergy, for Evangelization and for Oriental Churches, can move personnel and revenues across boundaries. In Latin America, for example, the shortage of priests resulted in a massive contribution of missionary personnel from the United States. Such activities affect the lives of Catholics around the world, and the pressures that they put on their governments.

Because of the powers of bishops over their dioceses, especially over their doctrinal emphasis, political stance and involvement, distribution of priests, allocation of funds and administration of education, it is not surprising to find that often states reserve the right to appoint or nominate bishops.⁶¹ The attitudes of the upper hierarchy can determine the relationship between the Church and the state. In the case of Latin America recent developments in the last thirty years have altered the face of these relationships, demonstrating the dynamic between the Vatican, the subsidiary units and the state.⁶² The bishops have increasingly collaborated and cooperated in forming policies towards their members and towards the state governments. These national and regional episcopal conferences have supported programs such as land reform, and Base

⁶¹ Patronage rights often stemmed from agreements where a state protected the Church, but also maintained some control over its activities, including the presentation of candidates for bishoprics. This is particularly evident in Spanish and Portuguese ex-colonies, like Argentina, Peru and Venezuela. See Vallier, "The Roman Catholic Church," p. 487.

⁶² Hanson, Catholic Church and World Politics, pp. 70-74.

Christian Communities, which in turn have fostered a certain politicization of the clergy and of the Catholic consumers.⁶³

The Vatican has condemned the so-called liberation theology, an outgrowth of Church activities, but upheld support for the poor.

In other countries, episcopal conferences have issued pastoral letters on peace and the morality of war, disarmament, economic policy and human rights.⁶⁴ Their efforts have been challenged or reinforced periodically with statements from the pope or the relevant department at the Vatican.

The pastoral letters show that the impact may come as much from the transfer of a belief system to the population of consumers as from the transfer of tangible resources. New values may challenge indigenous beliefs, as well as bring new patterns of consumption and economic activity. One of the reasons behind the antipathy of Indian Hindus to the Catholic Church is the latter's acceptance of 'untouchables' into the faith. Thus the order of traditional societies can be threatened. Since the doctrinal product of Catholicism is elaborated and promulgated from the central departments in Vatican City, they may not be attuned to possible effects on specific markets. Consequently, the national bishops' associations can help to make information

⁶³ See Thomas C. Bruneau, The Catholic Church and Basic Christian Communities: A Case Study from the Brazilian Amazon, Centre for Developing Area Studies, Discussion Paper Series No. 7, (Montreal: McGill University, 1983) and The Church in Brazil: The Politics of Religion, Latin American Monographs no. 56, (Austin, Texas: University of Texas Press, 1982).

⁶⁴ Hanson, Catholic Church in World Politics, pp. 140, 254, 257, 288-301.

flowing from the center more relevant to local issues.

CONCLUSION

The Catholic Church has objectives, functions and structures resembling those of multinational private firms. In general, the preceding analysis concludes that the Catholic Church has enough activities in common with private firms to make the comparison a useful predictor of behavior and organization. The following chapter will examine the growth and expansion of the Church leading up to its present organization. Three time periods have witnessed exceptional changes: the era of the Council of Trent (1540s to 1588); the First Vatican Council in 1870, to 1917; and the years of the Second Vatican Council to 1967. At each of these points the Church perceived a need to adapt to altered conditions in the marketplace. The patterns of change are examined by using Chandler's strategy and structure framework, detailed in chapter one. His observations will be as useful for looking at this religious firm as it was for twentieth century American firms.

CHAPTER FOUR

STRATEGY AND STRUCTURE IN THE CATHOLIC CHURCH

THE COUNTER REFORMATION AND THE COUNCIL OF TRENT

Benedictine Father Patrick Granfield called the reaction of the Church to the Protestant Reformation a "management failure of historic proportions."¹ The managers at least could be faulted for not recognizing the fundamental seriousness of the threat until years after the fact. Roughly twenty-five years elapsed until finally, under pressure from elements both within and without the Church, pope Paul III called a general council to examine the need for reforms. The Council of Trent, held in three sessions from 1545-63, confirmed the ideals of the Counter-Reformation and "established a solid base for the renewal of discipline and spiritual life."² It was the Church's response to an environment that had changed dramatically since the height of papal power in the Middle Ages. The major structural changes are traced by Figure 4 on the following page.³

¹ Quoted in Arthur Jones and Peter Hebblethwaite, "Appraising Peter's pence and power," National Catholic Reporter, May 24, 1985, p. 9.

² E.A. Livingstone, The Concise Oxford Dictionary of the Christian Church, (Oxford: Oxford University Press, 1977), p. 520.

³ Most of the details regarding origins, functions and changes in the departments of the Roman Curia were found in the comprehensive La Curia Romana, by Niccolo del Re, (Roma: Edizioni di Storia e Letteratura, third edition, 1970).

FIGURE 4 CHANGES IN THE DEPARTMENTS AND DIVISIONS OF THE ROMAN CURIA*

After 1588

By 1917

After 1967

Congregations:

Holy Office of the Universal Inquisition

Index

Segnatura (della Grazie)

Erection of Churches and Consistorial Provisions

Rites and Ceremonies

Council of Trent

Bishops

Regulars

Vatican Press

Provisioning of Rome and the Provinces

Navy

Public Welfare

Studies (Sapienza)

Roads, Bridges and Waters

State Consultations

Propaganda Fide (by 1622)

Holy Office of the Inquisition (& Index)

Consistorial

Sacraments

Rites

Council

Religious

Studies

Loreto

St. Peter's

Extraordinary Affairs

Oriental Churches

Propaganda Fide

Secretariat of State⁺

Council for Public Affairs⁺

Doctrine of the Faith

Bishops

Clergy

Sacraments

Divine Worship (by 1935)

Causes of Saints

Religious and Secular Institutes

Catholic Education

Oriental Churches

Propaganda Fide

Secretariats.
Christian Unity

Non-Christians

Non-Believers

Council for the Laity

Commission for Justice and Peace

Palatine Administration

Commission for Vatican City State

Tribunals (unchanged)

Apostolic Penitentiary

Roman Rota

Apostolic Segnatura

Offices

Dataria

Dataria

Apostolic Chancery

Chancery

Apostolic Camera

Camera

Secretariat of State

Prefecture for Economic Affairs of the Holy See

Administration of the Patrimony of the Holy See

Prefecture of the Pontifical Household

Apostolic Camera

Statistics Office

*Does not include all offices added or suppressed over time

+not Congregations

THE MARKET ENVIRONMENT

The growth of European nationalism had created a diffusion of power within the Church itself. Whereas in the twelfth and thirteenth centuries the papacy had dominated the affairs of the European Emperors, succeeding centuries saw an erosion of this power. The ruling princes increasingly gained the power to appoint ecclesiastics, particularly bishops, to offices, with the result that the bishops became political instruments with divided loyalties.⁴ Meanwhile the popes had begun to reserve for themselves other appointments normally the prerogative of the bishops, in order to maintain some control over the dioceses, or to reward supporters.⁵ The Holy See centralized control by exempting the religious Orders from episcopal authority, to avoid interference from the princes through the bishops. By the early sixteenth century, the popes had been pressured by the threat of schism to cede more power to the princes over religious affairs. This made it less possible to reform certain abuses, since the practices of selling offices and indulgences were a way to buy loyalty and to earn money for the papal defenses. Revenues were also needed to promote the Renaissance 'humanistic' developments in art and architecture, such as St. Peter's Cathedral in Rome.

The political situation became acute as the European powers waged war against each other, and the pope was party to strategic

⁴ Pierre Janelle, The Catholic Reformation, (Milwaukee: The Bruce Publishing Company, 1963), p. 2.

⁵ Geoffrey Barraclough, Papal Provisions, (Oxford: Basil Blackwell, 1935), p. 87.

political alliances. While political interference was no stranger to the papacy, it certainly demanded large amounts of time and expense:

Whether they liked it or not, (the popes) , their safety, their independence, nay , all but the very existence of the papacy, were involved in the wars between the European princes. They were threatened by the French or Imperial invasions, of Italy, or by the Turkish advance.⁶

So the top executive had both internal affairs of the religious organization to supervise, and also the external affairs of the temporal state.

Loyalty could be assured by awarding important positions to members of the pope's family. Nepotism as policy began in earnest during the 1450s, so that by 1549, from 86 to 90 percent of cardinals provided their own relatives with ecclesiastical offices.⁷ But both nepotism and the selling of church benefices⁸ were responsible for the deterioration of the quality of the Church's services. Men became cardinals or bishops regardless of their age, competence, or religious learning. The effect of using ecclesiastical offices to confer favor or reward loyalty

⁶ Janelle, The Counter Reformation, p. 3.

⁷ Barbara McClung Hallman, Italian Cardinals, Reform and the Church as Property, Center for Renaissance and Medieval Studies, (Berkeley: University of California Press, 1985), p. 95 and p. 111.

⁸ "An ecclesiastical benefice is a sacred office, with or without the care of souls, to which a perpetual income is attached. By the end of the Middle Ages, church benefices had become the primary reservoir from which popes rewarded their servants." Barbara McClung Hallman, Italian Cardinals, Reform and the Church as Property, p. 17.

was that "the church had come to be regarded by its leaders as a vehicle for private profit-making rather than as an institution primarily charged with the care of souls."⁹ Sometimes a church, abbey or other institution fell under the administration of a patron, who received the funds and had little interest in the spiritual welfare of those associated with it. Often the lower clergy and religious found their wages diverted by patrons or bishops, and lived on pittances, unable to provide for the upkeep of their institutions. Many cardinals held multiple bishoprics and/or other offices, leaving many areas with neither sufficient administration nor appropriate religious services.

Flagrantly scandalous abuses, and the incredible ostentation of the Renaissance popes led to more strident cries for reform. Protestantism emerged in response to the neglect and abuse of spiritual duties by the Catholic Church. Because the Church failed to respond adequately to demands for reform, consumers "voted with their feet and the Protestant Christian denominations were born."¹⁰ Martin Luther's faith earned support from German princes as well as the lower classes most affected by the derelictions of the Church. The Catholic clergy, whose theological training was of "such a rudimentary nature to be non-existent", found themselves unprepared to dispute the new

⁹ Ibid., p. 2.

¹⁰ Jones and Hebblethwaite, "Appraising," p. 9.

theology.¹¹

By 1552, one-third of Catholic lands had fallen to the Protestants, representing a significant loss of revenue (the princes refused to hand over dues) and a serious threat to the theological foundations of Catholicism. On other frontiers, the Turks had been advancing to the borders of Hungary and Poland, forcing the popes to concentrate money and manpower on repelling them.

Technology was to change the Church's strategy too. The discoveries of ocean routes and new ways of navigating and building larger ships opened up possibilities for expansion. The missionary impulse received "a wonderful upsurge of enthusiasm" by such religious as Ignatius Loyola, Philip Neri and Francisco di Vittoria.¹² They promoted peaceful evangelization instead of conquest by violence, and contributed to a spiritual revival in some areas of the Church almost in spite of the machinations and lack of direction in the central administration.

Thus, several trends had overtaken the Church by mid-century. The European rulers used their increasing power to influence papal policies and political affiliations. The selling of benefices, indulgences and exemptions left the Church in some areas a labyrinth of administrative jurisdictions, bereft of

¹¹ Henri Daniel-Rops, The Protestant Reformation, Vols. I & II, trans. by Audrey Butler, (New York: Image Books, Doubleday and Company, Inc., 1963), p. 180.

¹² Henri Daniel-Rops, The Catholic Reformation, Vols. I & II, trans. by John Warrington, (New York: Image Books, Doubleday and Company, Inc., 1962), p. 16.

spirituality and respect, and open to widespread criticism, contempt and ultimately division. In contrast, spiritual and missionary renewal had begun under the inspiration of religious men and women. Coupled with technological and scientific advances, it created new opportunities for growth. The Council members took hold of these trends and identified new strategies in response.

STRATEGIES:

One avenue pursued by the papacy to offset princely interference was a consolidation of the temporal sovereignty. Julius II (1503-1513), in particular, successfully restored and extended the papal states, attempting to establish "a strong, independent papacy in an Italy free from foreign domination".¹³ The new area included Modena in the north,* Rimini on the east coast, and south to Rome, totaling approximately 17,000 square miles in central Italy.¹⁴ The new states were taxed to cover revenues lost elsewhere in Protestant Europe.

In view of the decreasing control over episcopal appointments, the Society of Jesus provided the pope with a counterbalance. After their founding in 1540, the Jesuits became "the most perfectly subordinated instrument the papacy has ever

¹³ J.N.D. Kelly, The Oxford Dictionary of Popes, (Oxford: Oxford University Press, 1986), p. 255.

¹⁴ Hyginus Eugene Cardinale, The Holy See and the International Order, (Toronto: Macmillan Company of Canada Ltd., 1976), p. 99.

had at its disposal."¹⁵ The Jesuits won back lands from Protestantism, and together with other Orders, explored the new world with the Spanish and Portuguese. The Church desired to "set on foot a kind of global strategy to take Islam in the rear, by way of India, and recover the Holy Places."¹⁶ Addressing the lack of theological instruction, the Jesuits implemented plans for seminaries and universities.¹⁷

The effort to regain lands lost to Protestantism led to an expansion of the diplomatic corps, which previously had been rather loosely defined. Resident nuncios for the first time were sent to cities like Brussels, Cologne, Salzburg, Bavaria and Styria.¹⁸ Since part of Luther's success had been due to his extensive use of the recently-invented printing press, in 1587 the pope set up a Vatican press for disseminating information and theological writings.

The Council of Trent distinguished between doctrinal and disciplinary reform -- a two-fold strategy for improving the services offered by the Church.¹⁹ Doctrinal definitions were confirmed against the heresies of the reformers like Luther. In

¹⁵ Philip Hughes, A Popular History of the Catholic Church, (New York: Macmillan Publishing Co. Inc., 1947), p. 199.

¹⁶ Daniel-Rops, The Catholic Reformation, p. 21.

¹⁷ Hughes, Popular History, pp. 197-199.

¹⁸ G.W. Searle, The Counter Reformation, (London: University of London Press Ltd., 1973), p. 106.

¹⁹ A.D. Wright, "The significance of the Council of Trent," Journal of Ecclesiastical History, 26(4), October 1975, pp. 353-356.

this the Church did not adjust its doctrinal product to changing times. Instead it sharpened definitions to oppose the new competing doctrine, and increased surveillance over the quality control of orthodoxy, by renewing the powers of the Holy Office of the Inquisition and the Index of Forbidden Books. The Council enforced new uniform liturgy as well as standardized plans for church design.²⁰ In emphasizing the cult of saints and the veneration of relics, the Council protected the public good aspect of its knowledge, (which Luther had used) by defining Catholic life "in terms of devotions and practices which had almost no New Testament pedigree."²¹ New marketing strategies took the form of a revised latin catechism, and Vulgate.²² The quality of services was to be improved by building seminaries for training priests and enforcing residency requirements to stop absenteeism.

To reform abuses and improve services in the operating units, the bishops' powers were restored by reducing exemptions from their authority, and by increasing their disciplinary role. Of course, this new independence of the bishops could still lead to nationalist pressures, but it was realized (not without contention) that independence and complete authority in the diocese was a prerequisite to implementing reforms. Perhaps the

²⁰ Ibid.

²¹ John C. Dwyer, Church History: Twenty Centuries of Catholic Christianity, (New York: Paulist Press, 1985), p. 281.

²² The Vulgate is the old Latin version of the Bible, dating to revisions by St. Jerome in the 4th century.

most important move by the Council was to centralize responsibility for the interpretation of the Council's decrees in the papacy. This was to augment the power of the pope vis-a-vis the episcopate, at least in the papal states, where bishops were forced to resume residency after the Council.

Some attempts to curb financial abuses were made during the years 1555-1562 by popes Paul IV and Pius IV. At one point this reduced papal revenues by some 50-80%. It was perhaps unrealistic to expect that practices which essentially financed the Church, even if they had no basis in theology, would be reformed. Resistance to change came from the cardinals in Rome who stood the most to lose. If "outright simony disappeared from the Roman court," the sale of venal offices and bonds in the pontifical debt did not.²³ In addition, familial relationships between cardinals tended to reinforce personal enrichment:

The sale of venal offices, of [knightships], of shares in the successive [debt] opened opportunities for investment to numberless Italians through the bankers who were the initial purchasers. Gold from these sales poured into the treasuries of the dataria and the camera apostolica, and the popes of our period drew on them in increasing amounts to enrich their families. The cash nexus permeated the hierarchy from top to bottom.²⁴

The fact that the popes and the cardinals could not be persuaded to reform financial strategies turned attention to spiritual reforms, to enhancing the doctrinal product, the efficacy of services and quality of priestly instruction, and

²³ Hallman, Italian Cardinals, p. 166.

²⁴ Ibid.

stern enforcement of orthodoxy. To make up for losses in membership and revenues in Europe, the Church set on a path of exploration and colonization to the new world. The Holy See used diplomatic and missionary means to win lands back from Protestant rulers and hoped to prevent further spread of heresies with its new printing press.

INEFFICIENCIES:

The inefficiencies of the Church's organization had been felt for a long time before the reforms of Trent. Only a pope could convene a council, or reform the Curia and it has been argued that the popes were too busy negotiating with states or fighting opposing forces to have time for reforms either of abuses or of the administration.²⁵ The confusion of tangled authorities, jurisdictions and possessions had actually reinforced nepotism as a means to protect power in the center.²⁶ In the periphery, however, bishops often lacked effective control over many of the institutions and churches in their dioceses. The restoration of their authority helped to solve some inefficiencies, but clearly the old administrative system needed to be changed. Previously popes ruled with consistories of cardinals, groups of advisory bodies convened every week to discuss the business of the Church. A few Congregations were created after Trent, the Sacred Congregation for the Index and for Universal Office of the Inquisition. Fully twenty five years elapsed before successful

²⁵ Janelle, The Catholic Reformation, chapter 1.

²⁶ New Catholic Encyclopedia, Volume 4, p. 385.

reorganization was achieved. Not until Sixtus V, in 1588, did the complete overhaul occur.

NEW STRUCTURES:

In keeping with the strategy of supremacy of the papacy over the cardinals, Sixtus reduced the role of the consistories and by that countered the power of the cardinals and their claims to co-rule with the pope.²⁷ The administrative process was formalized, removing some of those cardinals who had had excessive benefits from the old system. Sixtus realized that if the head office was to effectively implement the new strategies outlined during the Council, it needed new structures with clear lines of authority and communication. The bishops had been reinstated in direct line positions to the pope, but more control was needed to handle the newly-developing, diversified activities of the Church: missions, publishing and education.

By establishing fifteen permanent congregations, Sixtus V reduced the work of the pope, at the same time reserving ultimate control and authority over the activities of the new Curia. He enlarged the scope of the Congregations for the Index and Inquisition, confirming the latter as chief of all other Congregations. Since the pope still used the consistorial format, a Congregation for the Erection of Churches and Consistorial Provisions was set up. With increasing emphasis on education and scholarship, the Vatican needed a department to settle questions and disputes that might arise: the Congregation

²⁷ Kelly, Popes, p. 272.

for Studies. The Congregation for Rites and Ceremonies monitored the new requirements for uniformity in the liturgy, as well as the process of canonization of saints. Sixtus enlarged the jurisdiction of the Congregation of the Council (1564) from simply overseeing the implementation of decrees to actually interpreting them. In addition to the Index, the Vatican Press Congregation promulgated doctrinally correct classical and ecclesiastical works. It monitored orthodoxy in the publishing houses of the Catholic nations.

Two Congregations for Regulars and for Bishops indicated a need to settle conflicts between these groups of employees. The proliferation of religious Orders, and the expansion of Catholic territories, had aggravated the problems of jurisdiction and exemption. The Congregation for Regulars was charged with establishing operating territories for each Order, and resolving disputes between seculars and regulars. The Congregation for Bishops, made into a permanent body under Sixtus, was responsible for preventing abuse of the office, and for receiving the newly required reports from the bishops. The Segnatura della Grazie extended a service in the form of forgiveness of sins.

A forerunner to the congregation which would handle missionary affairs was established in 1599. It was not organized as a Congregation until 1622, as Propaganda Fide. It encompassed all of the activities of missions and missionaries, the division of territories between Orders, the protection of the new faithful against heretics, the acquisition and management of properties

and monetary donations. The Vatican increasingly used nuncios as instruments of Church reform rather than simply diplomatic agents, so the Propaganda had jurisdiction over their activities as well.

Both the state of papal finances and the condition of the states were in need of repair by 1588. Sixtus slashed expenses, raised taxes and floated loans, and profited from the sale of offices.²⁸ He rescued Rome from banditry, and insured against siege by making the state more independent. In the new Curia he created Congregations for the Navy, for the provisioning of Rome and the provinces, for the Public Welfare, for Roads, Bridges and Waters, and for State Consultations (that is, civil problems in the papal states).

While many supplementary changes took place over the following centuries, the basic structure remained stable. Administration and adjudication had been reorganized from groups of cardinals to "a systematic distribution of tasks between more permanent differentiated and specialized organs."²⁹ The new structures complemented the primacy of the papacy by delegating responsibility where possible yet reserving ultimate confirmation in the papacy. The lines of authority and communication between the bishops, religious Orders, and the center had been delineated and backed up with special congregations to settle

²⁸ Kelly, Popes, p. 271.

²⁹ Niccolo del Re, La Curia Romana, (Roma: Edizioni di Storia e Letteratura, 1970, 3rd Edition), p. 20.

disputes. The new Curia meant that "centralization became bureaucratic...Reform from within the Church became impossible. There was (and is) no legal provision to force from below higher ecclesiastical administrators to correct abuse, to alleviate injustice, to implement this or that progressive program."³⁰ But clearly, rigorous monarchical power was believed to be necessary to meet the forces of Protestantism and nationalist princes. If the response of the Catholic Church had been less than optimal, it nevertheless was an attempt to reset priorities in line with demands from both employees and from clients. Strategies of global expansion and diversification into education, communication and security, involved restructuring to deal more effectively with new activities and shed some past abuses. Clearly, in this case, structures followed strategies.

FIRST VATICAN COUNCIL TO 1917

THE MARKET ENVIRONMENT:

The environment in which the Church found itself at the end of the nineteenth century was no less dramatic than that of the sixteenth. Events in the 1800s had stripped the Holy See of much of its influence in Europe and South America:

France became a republic in 1870, and revived the anti-clericalism of the French Revolution. In Germany in 1870 Bismarck began his Kulturkampf to eliminate entirely papal influence...In Spain in 1868, Sorrano's liberal government began suppressing the convents and

³⁰ Robert E. McNally, "The tridentine Church: A study in ecclesiology," in James E. Biechler, ed., Law for Liberty, (Baltimore, Maryland: Helicon Press, Inc., 1967), p. 75.

monasteries...Even His Apostolic Majesty in Vienna, the Emperor Franz Josef, was obliged to sign anti-clerical decrees legalizing civil marriage and lay education.³¹

By 1870 the Catholic Church was dealing with a new political order in many countries. Where previously the Church had negotiated and fought with European monarchies and aristocracies, it faced a new wave of democratically elected liberal or socialist politicians.³² As in the sixteenth century, governments assumed more control over Church properties and offices. As Church authority over appointments declined, so to did the monies received from benefices.

Catholicism had emerged from the revolutions of 1848 and after, as a defender of the old order, as "the last bulwark against the collapse of the western world under the blows of revolution, liberalism and democracy."³³ The notion of ultramontaniam, of spiritual authority of the Church residing in the papacy, was embraced by the hierarchies of France and Germany. In 1870, the First Vatican Council confirmed these ideas in the doctrine of papal infallibility. Ironically, not long after this display of power, Italy appropriated the papal states.

Two other trends were changing Western society. Growing industrialization and the emergence of Marxism created new

³¹ Anthony Rhodes, The Power of Rome in the Twentieth Century, (London: Sidgwick and Jackson, 1983), p. 10.

³² Ibid., p. 11.

³³ Dwyer, Church History, p. 331.

problems and new kinds of populations. The industrial revolution had altered living conditions of the average man, and as long as the Church defended an old aristocratic order, it was unable to treat the problems of its members. In previous centuries, the Church's main enemy was Islam, which at least had had a geographic limitation. In 1870, the enemies of Catholicism were "atheists, radicals, anarchists, communists, socialists of all kinds, using weapons which were more effective than the swords and scimitars of the Turk — speeches and writings propagated all over Europe by printing press and pamphlet."³⁴ Moreover, popular sentiments of the laity began to place more faith in scientific discovery than in supernatural explanations.³⁵

Thus the situation of the Catholic Church after 1870 showed a loss of political alliances, experience of anti-clericalism (the memory of the French Revolution was especially strong) and the consequent reduction of its control and ownership of physical assets and ecclesiastical appointments. It faced new competitors in science and Marxism, and it was expected to meet these challenges without a temporal stronghold and with declining revenues.

NEW STRATEGIES:

The strategies which would lead to a reorganization in the Church occurred in two stages. The first followed from the state of the Church's external affairs, for while infallibility

³⁴ Rhodes, Power of Rome, p. 13.

³⁵ Ibid.

centralized control, it had alienated governments and some groups of Catholics. As a result, Leo XIII set out to elevate the position of the papacy in the eyes of the world.³⁶ As a successful diplomat, he negotiated with Germany for the withdrawal of its anti-clerical laws in 1886, and reached accords with Belgium and Russia in the 1880s and 1890s. While Leo never asserted infallibility, he nevertheless pursued a strategy of increased centralization. He intervened in national episcopates, strengthened the position of nuncios and concentrated Orders and congregations in Rome.³⁷ He felt that assemblies such as the Council of Trent were too cumbersome for the realities of the time. Centralization of power in one office permitted a faster response to changes in the environment, to challenges such as communism.³⁸

In 1879 Leo made the teachings of Thomas Aquinas the basis for scholastic research. The recently articulated Modernist point of view, which maintained that historical research refuted many of the claims of the Bible, was suppressed. In a more forward-looking manner, Leo began to recognize the need to answer some of the problems facing workers, and promoted a series of encyclicals in support of workers rights and social justice, and fostered the study of astronomy and the natural sciences.

The next pope, Pius X, concentrated on internal problems in

³⁶ Ibid., p. 73.

³⁷ Kelly, Popes, p. 311.

³⁸ Rhodes, Power of Rome, p. 18.

the Church. He continued to persecute the Modernists, initiating campaigns against the 'heresies'. He purged personnel in university faculties and seminaries, named a Censor for every Catholic publication and had the bishops submit reports every three months on their subordinates.³⁹ His anti-Modernist policy was "nothing less than a scandal, and it delayed for more than fifty years the rapprochement of Catholic thought with that of the modern world."⁴⁰ So while new strategies were needed, this one might not have been a beneficial choice for the organization. Similar to the responses of the sixteenth century, the Church met internal opposition with increased disciplinary emphasis.

New marketing strategies were employed. Papal decrees redesigned the mass along liturgical lines, rejecting some of the more frivolous entertainment aspects, such as operatic singing. The eucharist became available to younger Catholics, and more frequently offered. To improve the quality of services, Pius instituted reforms in seminaries, their catechism and curricula. In addition, he encouraged increased participation of the laity in the Church's apostolic tasks.⁴¹ In this he instituted the forerunners to Catholic Action groups.

INEFFICIENCIES:

The new directions taken by popes Leo XIII and Pius X quickly revealed to the latter an old curial structure overburdened and

³⁹ Rhodes, Power of Rome, p. 196.

⁴⁰ Dwyer, Church History, p. 362.

⁴¹ Kelly, Popes, p. 324.

outdated. Numerous complaints about the Curia had been submitted by bishops to both Leo and Pius.⁴² Some of the Congregations had completely lost their 'raison d'etre' while others had become overworked and inefficient. The jurisdictions of each department had become so blurred that causes could be condemned by one department and condoned in another.⁴³ The Congregations tended to extend their own competence from purely administrative issues to judicial powers. The tribunals had practically lost their ordinary functions because no one used them.⁴⁴

Given the growing centralization of administration, a revision of the canon law had become imperative. By the time Pius X was crowned, it had been 600 years since a comprehensive codification of the laws had taken place. They consisted of a collection of ancient customs, Decretals, papal bulls and letters and the decrees and decisions of the curial departments, out of which the laws were sometimes irrelevant or conflicting. It had become difficult to administer in a uniform and consistent manner.⁴⁵ Since Pius had renewed disciplinary functions, it would be even more important to have a set of comprehensible

⁴² Edmond Hugues de Ragnau, The Vatican: The Center of Government of the Catholic World, (New York: D. Appleton and Company, 1913), p. 59.

⁴³ Ibid.

⁴⁴ del Re, Curia Romana, p. 36.

⁴⁵ Raymond G. Decker, "The revised code of canon law in historical context," in Nelson Minnich, Robert S. Eno and Robert F. Trisco, Studies in Catholic History, (Wilmington, Delaware: Michael Glazier, Inc., 1985), p. 473.

laws.

Attention to monetary affairs had also been lacking. When Pius X ascended to the papacy in 1903, the treasury had been depleted. Methods for tracking expenses and revenues were not very sophisticated, as the cardinal in charge of pontifical ledgers expressed:

Each year I buy a big ledger and on the first 2 pages I write 'receipts - expenditure'...The second page is easily filled up in advance...On the 'receipts' side...I then put down the principal item, Peter's Pence and after that I wait for further developments,..⁴⁶

In view of the loss of the revenues from the papal states, it is not surprising that the popes had lobbied the Italian government for monetary compensation for the loss of the states in Italy. Rather than creating a financial plan for the Church, however, Pius simply streamlined the central departments hoping to reduce expenses.⁴⁷

NEW STRUCTURES:

One of the first structural changes was the creation of the Pontifical Biblical Commission in 1902 by Leo XIII. Pius expanded its activities and used it to combat Modernist trends in religious scholarship. Most of the reorganization took place in 1908, under Pius, although Benedict XV made further alterations after the First World War. Pius reduced the number of departments from 37 to 19, congregations from 20 to 11, effectively halving the bureaucracy.

⁴⁶ Cardinal Mocenni, quoted in de Ragnau, The Vatican, p. 52.

⁴⁷ Seldes, The Vatican, p. 245.

In response to problems with states, Pius elevated the status of the Secretariat of State by placing it in charge of the Congregation for Ecclesiastical Affairs.⁴⁸ It now handled communication with secular rulers through apostolic nuncios or legates or through ambassadors accredited to the Holy See, in addition to other diplomatic issues.⁴⁹

In 1903 Pius had joined the Congregation for the Election of Bishops to the Holy Office of the Inquisition, a move that reflected his concern for orthodoxy and his intervention in diocesan affairs. After 1908, the Congregation for the Erection of Churches and Consistorial Provisions was renamed the Consistorial Congregation and given expanded jurisdiction. Four other departments for the residence, examination and promotion of bishops and for the state of the Church were amalgamated under this one department.⁵⁰ Seminaries were included in its competence in 1908, but later removed by Benedict to the Congregation for Studies.

Pius is known for having initiated massive liturgical reforms. It is not surprising that he created an entirely new department to deal with the Sacraments. It incorporated not only matrimonial cases, but also issues concerning the eucharist and other dispensations which previously had been the domain of the

⁴⁸ The Congregation had been created initially to monitor developments in France after the French Revolution.

⁴⁹ Catholic Encyclopedia, 1912, p. 153.

⁵⁰ del Re, Curia Romana, p. 39.

Dataria, the Penitentiary or the Congregations of the Council or of Rites. The effect was to speed decisions for which members had often waited an unsatisfactory amount of time.

Responsibility for the interpretation of the decrees of the Council of Trent had gradually passed to each congregation. The Congregation of the Council meanwhile had begun to assume duties associated with the former Congregation for Bishops and Regulars, namely the direction of diocesan affairs. One department was created out of the latter, and conjoined with two other departments concerning affairs of the religious Orders.

Before 1908, Propaganda Fide supervised activities in several countries having Catholic hierarchies of the Latin rite. Pius removed jurisdiction over Holland, the United States, the United Kingdom and Canada to the various other Congregations dealing with the Latin rite. Propaganda Fide continued to have competence over missionary territories and Orders, as well as over all Catholics of the Oriental rite.

In other areas, a commission for the revision of canon law created a new code of canon law by 1917. Two Congregations continued with reduced tasks, one for the sanctuary of Loreto and one for the church of St. Peter's. Pius restricted the latter to administrative duties and took away its former juridical functions. The tribunals had their jurisdictions redefined. Although finances had been augmented by the re-introduction of Peter's Pence in 1870, "there is still no trace of a budget, nor are there receipts for expenses or written orders or contracts

for this or that outlay."⁵¹

A second stage in reorganization occurred under Benedict XV. He combined similar functions by adding the Index to the Holy Office, and the responsibilities for seminaries to the newly named Congregation for Seminaries and Universities. Perhaps his greatest contribution was to evangelization:

Benedict was one of the first to discern the importance of stripping the church in Asia and Africa of its colonialist image, and he fostered the development of a native clergy in the mission countries.⁵²

He allowed Propaganda Fide to concentrate solely on its mission territories, removing from it responsibility over the Oriental Churches. In its place he created the Congregation for Eastern Churches, to work towards union with the east and to improve communications in the face of the communist revolution in Russia. By these moves he turned the Church's objectives away from forced latinization of the Eastern Churches, and the new Congregation reflected this strategy.⁵³

The changes of strategy and structure under Leo XIII, Pius X and Benedict XV had less to do with vertical integration, as during the Counter-reformation, and more to do with rationalizing some of the functions and activities into more current and relevant departments. By forbidding an individual from holding more than one office (cumulative competences), and carefully

⁵¹ Seldes, The Vatican, p. 245.

⁵² Dwyer, Church History, p. 366.

⁵³ Seldes, The Vatican, p. 162.

distinguishing between those departments with administrative and those with judicial powers, he made the central offices more efficient and more in tune with his strategies. Unfortunately, the reactionary strategy toward doctrinal developments of the Modernists and the return to Thomist theology failed to meet the challenges of competitors like communism, and could not provide the kind of updated approach to solving the new problems of its members, although the social justice encyclicals were steps in that direction.

VATICAN II AND AFTER

THE MARKET ENVIRONMENT:

In contrast to the previous two periods in the history of the Catholic Church, the years preceding the Second Vatican Council did not present external crises but rather, critical internal trends that challenged existing doctrinal, moral and organizational concepts. What precipitated the strategic changes of Vatican II was a growing recognition of the need to reform the attitudes, structures and approaches that dated to the turn of the century. The pressure was coming less from the market demands than from the demands of those inside the organization. It had become clear to bishops and priests in the periphery that the core of knowledge was couched in marketing terms and activities no longer relevant to the average member. In France for example, it was admitted even by some bishops that the

country had become largely unchristian.⁵⁴ Consumers had changed:

...developments in scripture and in the history of liturgy had taken place, and they brought in their train a new appreciation of the universal priesthood of the laity and a new sense of the importance of the participation of the laity in the liturgy.⁵⁵

Both priests and laity were registering their discontent through protests, desertion and alternative strategies and structures. Theologians like Karl Rahner returned to biblical sources and stimulated new ideas about how the Church should be governed and how its missionary goals should be achieved. He influenced the worker-priest movement in France, where priests joined workers in the factories to bring the faith directly to them. In Latin America, the ratio of priests to population in some dioceses precluded any true servicing by the Church, but the hierarchy refused to grant laity more powers.⁵⁶ In Brazil the subsidiary units responded by establishing Base Christian Communities (CEBs). Both the worker-priest movement and the CEBs answered the demands of the local market for social relevance and indicated increasing plurality in the Church.

INEFFICIENCIES:

The plurality could not be accommodated with the structures existing at the times. Complaints were heard about the lack of

⁵⁴ Dwyer, Church History, p. 380.

⁵⁵ Ibid., p. 378.

⁵⁶ Robin Greenwood, "Towards a church of the people," Theology, 86, November 1983, p. 423.

sufficient cooperation and communication among different levels of the hierarchy, and between the center and the periphery. An emphasis on coordination in the periphery was needed:

[Bishops] are frequently unable to fulfil their office suitably and fruitfully unless they work more harmoniously and closely everyday with other bishops.⁵⁷

Centralization of power in the papacy at the expense of the bishops dated from Vatican I, and resulted in "an ever rigid uniformity and a sterile fixism" that seemed to support the institution and not the people.⁵⁸ One bishop stated that the Roman Curia "is not aware of local conditions, nor does it sufficiently represent the bishops of the whole world...Often, it is not an instrument of the pope, but a barrier between him and the bishops."⁵⁹ For their part, employees at the Curia felt that the Curia should be reorganized for a better distribution of functions, clearer definitions of competency and "a more satisfactory degree of coordination."⁶⁰

The legal system of the Church still held to outdated requirements. The unity of law was supposed to create strength in uniformity over the vast territories of Catholicism. By the 1960s, however, changes in the market situation made some laws anachronistic, and a detriment to the real goals of the Church.

⁵⁷ Katamba Mpalanyi, The Church and her Exercise of Power(s), (Rome: Pontificia Universita Lateranense, 1980), p. 76.

⁵⁸ Mpalanyi, The Church and her Exercise of Power(s), p. 78.

⁵⁹ R.M. Wiltgen, The Rhine Flows into the Tiber, (New York, Hawthorne Books, Inc., 1967), p. 112.

⁶⁰ Ibid., p. 110.

For example, laws regarding obligations of residence, Sunday and Easter duties, prohibition of medical practice by clergy, having correct church music, become impossible in situations like in Peru, where a bishop had a diocese of 419,000 people, 15,000 square kilometers of territory and 37 priests of which 15 had to look after 337,000 rural members.⁶¹ Over time the gap between the 'norms' of the Church and christian life had been growing.⁶²

In short, the sluggishness of the Church's responses at the center to a changing market prompted many of the cardinals to complain to John XIII in the days following his election. Within three days, the pope had begun to consider the idea of calling a council as "the only way to deal with a situation that had got out of hand".⁶³ Patrick Granfield has said that it would not be stretching the issue to describe Vatican II as a "management council".⁶⁴ The Council identified several new strategies for the Church and proposed some new structures to make it more efficient and up to date. It was left to Paul VI to reorganize the Curia in line with demands of the Council.

STRATEGIES:

⁶¹ Peter Huizing, "The reform of canon law," Pastoral Reform in Church Government, (New York: Paulist Press, 1965), p. 107.

⁶² Jose de Broucker, The Suenens Dossier: the Case for Collegiality, (Notre Dame, Indiana: Fides Publishers, Inc., 1970), p. 212.

⁶³ Peter Hebblethwaite, transcript of interview with CBC, Ideas, May 6-27, 1984, (Toronto: CBC, 1984).

⁶⁴ Jones and Hebblethwaite, "Appraising," p. 9.

The key word for the Council was 'aggiornamento', meaning a bringing up to date. The new strategies would promote an opening up to movements like ecumenism, more acceptance of the Eastern Churches, and more dialogue with the world in general.

Again marketing figured prominently. To make the services more accessible for members, the Council approved the use of vernacular languages instead of Latin, for the liturgy, as well as the use of new hymns and music. If increased support and patronage of customers was to occur, they would have to be allowed to participate more in services. The Council promoted the idea of co-responsibility: all faithful should have an active concern for the Church and share responsibility for the Church's mission and life. Considering the general state of affairs in the organization, it is only surprising that the resources of the members were not enlisted earlier to support the organization, to "expend all their energy for the growth of the Church and its continual sanctification."⁶⁵ The 'Decree on the Laity' advised pastors to establish parish councils to foster coordination between clergy or religious and the layman, on local, national and international levels.⁶⁶ Auxiliary lay groups formed to advise the hierarchy and to allow some input into decision-making.

⁶⁵ Quoted in Montefiore, "Authority in the Church", p. 416.

⁶⁶ Michael Sernett, The Parish Council: A Recent Development in Ecclesial Organization in the Church of the United States of America, (Roma: Pontificia Universita Lateranense, 1975), pp. 48-49.

Two further principles were to have an impact on the structures of the Church: collegiality and subsidiarity. The former defined the relationship among the bishops and the pope as joint responsibility for governing the Church. It implied

that leadership and decision-making in the Church should be the work of this body, this corporate group, and not simply the work of an isolated individual. The bishops were beginning to balance Vatican I's extreme emphasis on papal authority by pointing out that the Pope ordinarily should not act in isolation, but should act as the leader (and a member) of the college of bishops.⁶⁷

By demanding the right to be associated in some way in the governing of the universal Church, the bishops were trying to rectify the problems of communication and shortsightedness in the center. What followed logically from this was the notion of subsidiarity. This was a process of decentralization whereby higher authorities were to give power to lower ones to make decisions on the lower level without having to ask for permission to act.⁶⁸ To balance excessive centralization dating from Vatican I, the Council agreed that higher authorities "should not intervene directly in matters of Church affairs where lower structures were capable of handling the matter and were willing to do so."⁶⁹ In the concepts of collegiality and subsidiarity the Council emphasized a realignment of the lines of authority and communication, to better equip the Church for modern times.

The Council wished to transform the image of the Church as a

⁶⁷ Dwyer, Church History, p. 389.

⁶⁸ Sernett, The Parish Council, p. 41.

⁶⁹ Ibid.

reactionary and inflexible force to one of openness and progressive programs, to operating in the world, not withdrawing from it. Accordingly, the 'Decree on Ecumenism' and the 'Declaration of Religious Freedom' intended to encourage toleration of members of other faiths and to assert the right of Catholics to preach the doctrinal product around the world.⁷⁰ Progressive influences were evidenced also by turning away from missionary efforts based on colonialism and paternalism and fostering cooperation and development aid in its place.⁷¹ In fact, in the United States the religious lifestyle had already undergone some changes intended to upgrade professionalization of sisters so that "the quality of their services in health, education and welfare would be comparable to that of rival services in public and non-religious organizations."⁷²

NEW STRUCTURES:

Many of the new structures resulting from Vatican II were, as in the previous two periods, instigated by the pope. Paul VI, by 1965, seemed nervous about the development of collegiality and unsure of how to control it.⁷³ He declined to award the new Synod of Bishops (elected representatives of national

⁷⁰ Hanno Helbling, "The Second Vatican Council in History," Orbis, 10(4), Winter 1967, pp. 1260-62.

⁷¹ Ibid, p. 1264, and Marie Augusta Neal, "A theoretical analysis of renewal in religious orders in the USA," Social Compass, 28(1), 1971, p. 8.

⁷² Neal, "Renewal," p. 11.

⁷³ Dwyer, Church History, p. 392.

episcopates) anything but a clearly consultative position. The Synod is designed to "keep [the pope] in touch with the views of the bishops", to give advice to the pope on a topic he selects from a list made by the Synod.⁷⁴ On the other hand, the powers of the national and regional episcopal conferences were enhanced to deal with the problem of weak communication between the Curia and the dioceses. The advantages of the conferences lie not only in improved dialogue with the center, but also in horizontal exchanges of information and resources, as they can pool the pastoral resources from each diocese.⁷⁵ They decentralize issues that cannot be resolved on a global basis, and devise locally acceptable means of implementation.⁷⁶ Since all bishops and priests share a pastoral function, the Council encouraged the establishment of priests' councils which would promote cooperation between the bishop and his priests.⁷⁷

In addition to these new structures, Paul VI reorganized the Curia in 1967. He moved the global administration of liturgical affairs to the Congregation for Sacraments and Divine Worship (now two separate bodies under a common director). Accepting Eastern liturgies entailed moving this function to the Congregation for Oriental Churches. The Congregation for the

⁷⁴ Archbishop Carter, "The Synod of Bishops, 1974: an assessment," International Review of Mission, 113(255), p. 295.

⁷⁵ Mpalanyi, The Church and Her Exercise of Power(s), p. 76.

⁷⁶ Halbling, Second Vatican Council, p. 1267.

⁷⁷ Donald Wuerl, "Priest's Councils", reprint from Osservatore Romano, english edition, July 23, 1970.

Council changed its name to the Clergy, giving up competence for diocesan affairs to the newly named Congregation for Bishops. The former gained a more pastoral character, designed to enhance the services provided by the priests, and to carry out the setting up of priests' councils.⁷⁸ The Congregation for Bishops now included the function of monitoring more closely the episcopal conferences and their new legislative powers. The Congregation for Religious relinquished jurisdiction over diocesan schools to the renamed Congregation for Catholic Education. It became the Congregation for Religious and Secular Institutes, in recognition of the shift of emphasis from cloistered to active on the part of the Orders themselves.

During preparatory work for Vatican II, three Secretariats had undertaken research on the topics of Christian unity, and dialogue with other faiths. Paul confirmed these Secretariats (at first temporarily) as assistants to the papacy 'in its dealings with various countries and to other Congregations such as Propaganda, Bishops and the Oriental Churches.

To coordinate the work of lay participation in advisory bodies at the various levels, the pope established a permanent commission called the Council for the Laity. The Commission for Justice and Peace conducts research into problems of development and social justice. The five new departments represent the Council's strategy of 'opening' to the world and a

⁷⁸ Giovanni Pinna, Riforma della Curia Romana, Conferenze stampa di Mons. G. Pinna, 18 Agosto 1967, (Tipografica Polyglotta Vatican, 1967), p. 9.

diversification of its activities from merely defense of the religion to concern for larger social issues, designed to make it more socially relevant and attractive to members.

Two further major changes were made. The first was a significant increase in the power of the Secretariat of State, moving it to a position directly below the pope. The Secretariat was charged with coordinating the work of all the departments of the Curia, and channeling communication between it and the pope. To better coordinate diplomatic activities in keeping with the new 'openness', the Council for Public Affairs was placed beside the Secretariat and under the administration of its Cardinal.

The second move was the abolition of older offices like Briefs and Letters to Princes, in favor of a whole new set of financial and statistical offices. Since the reforms of Pius X and Benedict XV, the Holy See had received a substantial settlement from the Italian state, but had failed to incorporate modern budgeting or financial management procedures. The Prefecture for Economic Affairs and the Administration of the Patrimony of the Holy See were designed to improve accounting and take advantage of the opportunities for investment income.

Finally, the competences of the tribunals were again revised to avoid conflicts, and the Segnatura was delegated responsibility for the settlement of disputes over jurisdiction among the various new and old curial departments.

In the 1960s then, pressure for change came less from one particular crisis like Protestantism or loss of the papal states

but from a growing consensus within the Church that change was imperative. Local markets demanded a socially relevant institution, less focussed on uniformity and authoritarian decision-making. Thus Vatican II reoriented Church strategy towards a responsiveness to society, an openness to other religions. All levels of the hierarchy and the laity were encouraged to share information and resources through the various new structures.

All three historical periods showed a process of strategic and structural change similar to that discovered by Chandler. The Roman Catholic Church, as a religious firm, met challenges from the market environment by developing new strategies to ensure its institutional survival, and followed this with internal reorganization to increase efficiency. It is clear, however, that this process for the Catholic Church was marked by special historical and institutional circumstances. The special characteristics of religious firms, noted in the previous chapters, have caused the Catholic Church to experience the strategy and structure process differently in some ways than a private firm. Therefore the usefulness of the general framework of strategy and structure must be examined in light of these differences.

ANALYSIS OF THE STRATEGY AND STRUCTURE FRAMEWORK

The market environment for the Church presented both opportunities and challenges. In the first instance, consumer

demands for the reform of abuses and the poor quality of services went unheeded for so long that eventually competitors entered the market, in the form of the Protestant denominations. Other competitors arose in the nineteenth century, providing alternative belief systems like communism. In the twentieth century, the fact that many consumers felt the organization no longer served their needs was recognized by managers in the periphery but not at the center.

One of the interesting aspects this historical analysis has shown is the limited range of responses adopted by the Catholic Church in competition with other belief systems. In all three cases, the Church did not change its doctrine to make it more appealing to changed market tastes. Indeed, internal debate has ranged over the extent to which the doctrinal product is immutable, and the most common strategy was to reaffirm orthodoxy in the face of deviations. Alternatively some beliefs could be redefined to incorporate new interpretations. To overcome a limitation to essential changes, the Church tended to focus its strategies on new marketing techniques, often altering the liturgy, the degree of participation allowed by the laity, different music and accessibility of the eucharist. In all three cases the head office stressed improvements in the quality of services offered by priests, including better training, better communications with the bishops and the laity.

Another characteristic that differs from firms is the dependence on governments for protecting Church rights over all

its properties, institutions and value system, as expressed in the state's legal system. In the first two historical periods, this influence over political powers had declined severely, prompting strategies of diplomacy, centralization of power in the papacy and attempts to strengthen the Church's own temporal sovereignty. Only in the 1960s, by which time the Vatican City State appeared relatively stable and secure — although lacking the previous political power — could the center begin to permit relative decentralization coupled with a shift to moral authority or power. Since then the head office has engaged in massive public relations efforts, an avenue for exerting moral influence on public opinion and by implication governments.⁷⁹

Vertical integration strategies were defined at the Council of Trent in terms of printing and publishing, diplomacy and education. These activities gradually expanded over the years to include radio, public relations and research. Generally the Church pursues only those activities related to the central objectives of global salvation and institutional protection. The strategy of vertical integration is motivated by desires for control over orthodoxy and independence from interference by other actors. Geographical diversification has been an integral part of Church strategy from the beginning, but found increased opportunities during the 1500s, when advancing technologies offered whole new areas for evangelization.

⁷⁹ Hanson, Catholic Church in World Politics, chapter 1, passim.

Richard Caves has noted that suggestions for strategic change may come from managers down the line, from subsidiary units, but that their acceptance by head office is usually required in order to allocate the appropriate resources.⁸⁰ In the case of the Catholic Church, impulses for change often came from peripheral units, either in the form of actual strategic change in those units (Martin Luther's theses), or in structural changes (Brazil's CEBs). They were then either incorporated into strategies from the center, (Vatican II and a pastoral emphasis) or opposed (Protestantism and Modernism). Diplomatic and marketing strategies seem to require an impetus from the pope/CEO himself, or at least the top executives. It is not always possible to predict where new strategies will arise in the organization, but the central departments have a powerful influence on whether they will be accepted or rejected. The curial departments have the capacity to be long-term planners for the Catholic firm, but they tend towards very conservative policies or ad hoc approaches.⁸¹ A return to strict orthodoxy in the face of competition is evident in the first two periods, and even today, twenty years after Vatican II, reversals of previously progressive movements can be found. Protection of the status quo appears to take precedence over experimentation with

⁸⁰ Richard E. Caves, Multinational Enterprise and Economic Analysis, p. 70.

⁸¹ Ivan Vallier, Catholicism, Social Control, and Modernization in Latin America, (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1970), p. 9 and p. 25.

newer progressive strategies.

During the three periods the inefficiencies in the Church's organization owed more to long-term cumulative effects than to immediate strains on administration from the new strategies. In each case it appears that inefficiencies had been growing for some time previous to the decision to implement new strategies. In the 1500s, the lines of authority and communication had been scrambled by practices of selling benefices, and granting exemptions to episcopal authority. In the late 1800s, many of the curial departments had lost their meaning because of the new political environment, and many had become overworked due to blurred jurisdictions. In the 1960s, employees complained of excessive centralization that was slow to respond to needs in the subsidiary areas. The new strategies could be seen to put added stress on previous inefficiencies. It would appear that the popes often realized that the administrative system would need reorganizing in order to implement the new strategies. Also, since the Curia is considered an extension of the pope's administrative power, he is deemed responsible for its reform.

The popes who developed the strategies were not always the same ones who reorganized the structures. Notably in the case of the Council of Trent, structural change lagged behind the strategic changes by roughly twenty five years. The gap could be explained in terms of a preoccupation of the popes with other concerns, mostly strategic, or to an ability to operate despite inefficiencies. At some point, a 'manager' pope realized the

need or the advantages to new structures. Sometimes they made curial reform part of their election platform, as in the case of Pius X.

Chandler noted that the more diversified companies became, the more need they had for a multidivisional structure. The Curia began with various functional departments under Sixtus V, gradually incorporating geographic divisions, as a need for the separate administration of different areas arose. Tasks have been allocated according to different criteria over time. For example, while the interpretation of the decrees of the Council of Trent originally fell to the Congregation of the Council, each department began to assume responsibility for interpretations for their area. Eventually the Congregation became solely concerned with activities regarding the clergy. In another example, Propaganda Fide held jurisdiction over the Eastern Churches until their separate existence had been accepted and a separate Congregation was established (by 1917). Also, a trend can be seen in the combining of similar activities such as responsibility for seminaries (out of Consistorial Congregation) and other educational institutions; the Index and Inquisition, both involved in global discipline and orthodoxy.

Perhaps one of the reasons that changes in strategy have not been more frequent is the nature of control by the pope. It implies that feedback from consumers is neither cultivated nor heeded. No pressures for change can come from shareholders. The fact that the institution has survived for so long might instill

a sense that past strategies have been adequate and successful. Moreover, the belief that the strategies and parts of the organization have divine status will inhibit change. Therefore only new threats or severely intensified old ones will stimulate changes in strategy and eventually structure. Another reason is that the Church lacks an institution for policy planning.⁸² Unlike a multinational firm, which frequently provides for strategic planning, the Church lacks this necessary function for taking advantage of the opportunities that arise in the market, and instead reacts to negative events in its environment. Clearly, these factors show differences in the way that the strategy and structure framework applies to the Church as compared to a private firm.

CONCLUSION

Despite these differences, the general framework holds. It has pointed out that events in the marketplace caused the Church to respond with new strategies and new structures to implement them. The range of opportunities for private and religious firms may differ, but once the limitations are identified, it becomes easier to explain change and predict behavior. This is not to deny that other theoretical frameworks provide equally valid explanations of the expansion and organization of the Catholic

⁸² Andrew Greeley, "A social organizational view of the Catholic Church," in We are the People of God, ed. by James A. Coriden, (Huntington, Indiana: Our Sunday Visitor Inc., and Canon Law Society of America, 1967), p. 83.

Church. While this paper has pointed out the similarities and differences between private firms and religious organizations, it should not imply that religious organizations have only economic concerns. The religious goals of institutional survival and pastoral care will probably always cause more complex relationships than occur in private firms. The advantage of Chandler's business approach lies in confirming that a religious organization like the Catholic Church does have aspects of a private firm. Therefore incorporating such economic motivations and constraints can clarify the relevant structures and mechanisms through which the Catholic Church tries to achieve its goals. Being aware of its economic problems helps explain some of its activities, for example, when it diversifies into related services to generate revenue from its public good product. Looking at how the Catholic Church moves resources to achieve its objectives also illustrates that this movement affects states when it crosses political boundaries. This chapter demonstrated that the Church's historical strategies and structures are important in international affairs precisely because they have created its transnational character.

Viewing the Roman Catholic Church as a religious firm implies further avenues for exploration. In order to better understand the economic nature of religious organizations, an industry profile would be helpful. This could involve comparisons of other major institutionalized religions with private firms. Another path would be to study, as Chandler did, how various

religions handle similar functions such as recruitment, marketing or maintaining orthodoxy. This inquiry could be extended to investigations of how different religious organizations respond to specific crises. Three examples presented in this chapter showed the Catholic Church responding to such management problems.

In addition, the transnational structure of the major religions invites comparison. Some religions will be more analogous to multinational enterprises than others. In some senses the Catholic Church is the most predictable religious subject for examination as a multinational business. It has grand scope and visibility. On the other hand, a knowledge of the religion industry and its multiplicity of enterprises helps to clarify their roles in the global system. There is a need for an appreciation of both similarities and differences of religious organizations to other non-state and economic actors. A useful comprehensive approach comes from searching for the similarities among non-state actors rather than excluding certain entities by their specialness. It allows a broader view of the dynamic competition for resources between states and other organizations in the international political-economic system. By evaluating frameworks that might be applied to diverse non-state actors, study of the international political economy will be enhanced.

A

Secretariate of State

Oversees the representatives of the Holy See abroad as well as relations with government representatives accredited to the Holy See. Handles appointments of bishops where states have the right of presentation. Edits letters, briefs, statements by the pope. Coordinates activities of the Vatican bureaucracy, researches questions to be discussed by heads of the Congregations. Closely controls work of the Statistics Office and AUSA. Supervises Commission for Social Communications.

Council for Public Affairs

Usually headed by the Secretary of State, to coordinate overlapping jurisdictions regarding diplomatic functions and employees. Acts as an advisory body, examining questions presented to it by the pope, often concerning treaties with states, or civil law. Supervises work of Commission for Russia, which looks after matters concerning Russians of the Latin rite.

E

Congregation for the Doctrine of the Faith

Primary concern is defense of orthodox faith and religious practice against errors. Has both disciplinary and doctrinal functions, not limited by territory or individuals (except cardinals). Has an effective veto over other curial departments since any theological question falls within its competence. Grants dispensations from priests' vows, annulments, marriages. Attached are the Pontifical Biblical Commission and the International Theological Commission, which advise and do research for the pope and the Congregation.

Congregation for the Causes of Saints

Receives requests for the canonization of special Catholics. Initiates proceedings to determine the eligibility for canonization or beatification. The process is like a trial, with lawyers and witnesses. The cardinals produce a verdict, which is then submitted to the pope for approval.

Congregation for Sacraments

Its competence in areas covering the rite, doctrine and administration of the sacraments for the Latin Churches, including areas otherwise under Propaganda Fide. Primary topic is the sacrament of marriage and dispensations.

Congregation for Divine Worship

Head of this department is same as the head of Sacraments. Studies the liturgy of national churches to ensure uniformity. Formerly joined to previous Congregation (to 1905).

Congregation for Bishops

Nominates candidates for bishop, modifies dioceses and studies the proceedings of episcopal conferences. Consults with C. for Public Affairs if necessary, where a treaty exists with a civil government. Jurisdiction covers all areas not under the Congregations for Oriental Churches and Propaganda Fide. Bishops' five-year reports and visits to Rome are studied and arranged in this office. Commission for Latin America is attached, to look at the activities of Conference of Latin American Bishops, and special problems in L.A.

Congregation for the Clergy

Does for lower levels what C. for Bishops does for upper level of the hierarchy and dioceses. Creates institutes for pastoral study, issues rules for better distribution of clergy. Settles disputes about precedence of clerics, religious and laity. It may discipline clergy and the faithful, or renew acts of the provincial councils. Organizes catechetical instruction, sometimes with cooperation of the C. for Education or Religious and Secular Institutes. Also administers bequests, and other goods of the Church.

Congregation for Religious and Secular Institutes

Has jurisdiction over religious Orders of the Latin rite, including questions of their founding, governing, discipline, studies, goods and privileges. Jurisdiction is personal, not limited by territory, except on matters specific to C. for Doctrine of the Faith, Bishops, Oriental Churches, Sacraments and except religious who conduct missionary work. Assisted by an advisory council of Superiors of the various Orders, meeting annually.

Congregation for Catholic Education

Concerned with three areas of administration, discipline and government of universities, faculties, institutes and schools that depend on ecclesiastical authority. Examines general questions in consultation with episcopal conferences, civil authorities, national and international organizations, with cooperation of the C. for Public Affairs, providing for the maintenance of laws and freedoms of the schools. Includes an office for seminaries and vocational problems.

Congregation for Oriental Churches

Has jurisdiction over geographical areas as well as Catholics of the various eastern rites. Oversees functions that C.'s for Bishops, Clergy, Religious and Secular Institutes and Education do for Latin Churches. Consults with Secretariats of Christian Unity and for Non-Christians.

Propaganda Fide (or Congregation for the Evangelization of Peoples)

Goal is to spread faith in areas without a regularly constituted hierarchy. Nominates and transfers necessary missionaries, sets up and modifies territories, surveys general progress of the areas, promotes founding of local autonomous clergy, gradually cedes responsibility. Sustains and distributes missionaries where needed most, coordinates the collection of subsidies on a global basis. Operates relatively autonomously, with own sources of revenue. Consults with the three Secretariats on important questions.

F

Secretariat for Christian Unity

Works for the restoration of unity with all Christians, including Orthodox and Protestants. Studies ecumenical issues and activities within the Church. Reports go to C. for D. of F.

Secretariat for Non-Christians

Maintains dialogue with other religions such as Islam, Buddhism, that have "outstanding spiritual and moral values". Local and indigenous faiths of Africa, the Pacific and America are studied as well.

Secretariat for Non-Believers

Studies atheism and promotes dialogue with sincere non-believers.

Council for the Laity

Functions as a center for collecting information on the lay apostolic initiatives, to research problems and foster communication between clerics, religious and laity. Promotes the global apostolate of the laity as a goal, and integrates it with the Church's apostolate.

Commission for Justice and Peace

Examines problems of development and social justice. Collects and synthesizes information and distributes it to interested departments. Coordinates work of all organs having similar concerns.

G

Apostolic Camera

Takes control of the temporal goods and rights of the Holy See when it is vacant. Meets the cost of offices and staff in the Apostolic Palace.

Administration of the Patrimony of the Holy See (AUSA)

The Ordinary section looks after the financial affairs of the Curia. The Extraordinary section administers the funds awarded by the Lateran Treaty with Italy in 1929. Now invests in real estate and stocks and bonds.

Prefecture for the Economic Affairs of the Holy See

Responsible for drawing up a budget for departments of the Vatican. Covers the Curia, commissions, councils and tribunals, upkeep of the apostolic palaces, L'Osservatore Romano, and diocese of Rome. Attached is the Vatican Bank.

Prefecture of the Papal Household

Arranges audiences with the pope, as well as ceremonies (except for the liturgy, handled by the C. for Divine Worship). Collaborates with the Sect'y of State for the pope's overseas visits. Deals with the upkeep of the Apostolic Palace.

General Statistics Office of the Church

Has close association with Secretariat of State, gathering and organizing data on the Church.

Vatican Bank (Institute for Religious Works)

Works like a central bank, receives deposits from religious Orders and privileged Catholics. Profits go to the Holy See.

H

Sacred Apostolic Penitentiary

A court for the absolution of grave sins. Grants special permissions, absolutions, dispensations, commutations and issues sanctions and condemnations. Reviews and grants indulgences.

Sacred Roman Rota

Acts as a supreme court, hearing cases of appeal from courts of the diocesan tribunals. Can also be a court of first instance in special cases where the pope requests it. Majority of cases deal with nullity of marriages.

Apostolic Signature

Monitors the procedures of the Rota in the conduct of judges and auditors limited to determining whether laws and legal processes were properly observed.

D

Palatine Administration

Oversees work of upkeep on St. Peter's Cathedral, the Vatican Libraries, Polyglot Press, Publishing House and the daily L'Osservatore Romano.

Commission for Vatican City State

Consists of a governor and various offices for the government and administration of the state, including monuments, museums, galleries, Vatican Radio, an observatory, pontifical justice courts, health and welfare fund, technical services.

APPENDIX A.2

The Roman Curia

THE SECRETARIAT OF STATE OR
PAPAL SECRETARIAT

The Secretariat of State or Papal Secretariat, offers the closest assistance to the Supreme Pontiff both in the care of the universal Church and in dealings with the branches of the Roman Curia. The Secretariat handles anything the Supreme Pontiff entrusts to it as well as matters of ordinary business which do not fall within the competence of the departments of the Roman Curia. It fosters relations with these departments, with the Bishops, with the Legates of the Holy See, with civil govern-

ments and their representatives, and with private persons but without prejudice to the Council for the Public Affairs of the Church and, as occasion requires, in accord with it.
Cardinal Secretary: Agostino Cardinal Casaroli.
Substitute: Most Rev. Martinez Somalo Eduardo.
Office: Palazzo Apostolico Vaticano, Vatican City, Europe.

THE COUNCIL FOR THE PUBLIC
AFFAIRS OF THE CHURCH

It pertains to this Council to treat all matters which

pertain to civil governments. It also handles subjects submitted to its examination by the Holy Father, particularly where there is some connection with civil law. The Council fosters diplomatic relations with nations and has charge of nunciatures, internunciatures and apostolic delegations, jointly with the Secretariat of State.
Cardinal: Prefect Agostino Cardinal Casaroli.
Secretary: Most Rev. Achille Silvestrini.
Office: Palazzo Apostolico Vaticano, Vatican City, Europe.

THE CONGREGATION FOR THE
DOCTRINE OF THE FAITH

The Congregation for the Doctrine of the Faith has the task of safeguarding doctrine on faith and morals throughout the entire Catholic world. It examines all questions which touch faith and morals or are connected with the faith itself. It also examines new doctrines and opinions and promotes study on these matters. This Sacred Congregation approves doctrines opposed to the principles of the faith after the interested Bishops of a region have been heard. It studies the books referred to it and, if necessary, reproves them after the author has been heard and has had an opportunity to defend himself and after the Ordinary has been forewarned. It also examines all that concerns "the privilege of the faith," both in law and in fact. It is competent to pass judgment on errors about the faith according to the norms of an ordinary process. It safeguards the dignity of the sacrament of Penance. The Congregation proceeds administratively or judicially according to the nature of the question to be treated.

Cardinal Prefect: Joseph Cardinal Ratzinger.
Secretary: Most Rev. Alberto Bovone.
Office: 11 Piazza del S. Uffizio, Rome, Italy.

THE CONGREGATION
FOR BISHOPS

In those places and for those persons not subject to the Congregation for the Oriental Churches or for the Evangelization of Peoples, the Congregation for Bishops establishes new dioceses, provinces and regions and divides unites and realigns them after consulting the interested Episcopal Conferences and others; it erects military vicariates and after consulting the Episcopal Conference, prelates for special pastoral ministries for various regions or social groups. This Congregation provides also for the naming of bishops, apostolic administrators, coadjutors and auxiliaries of bishops, military and other vicars and prelates enjoying personal jurisdiction.

It is competent for all things that have to do with bishops and publishes norms which, through the Episcopal Conference, provide for the more urgent needs of the faithful.

Cardinal Prefect: Bernardin Cardinal Gantais.
Secretary: Most Rev. Lucas Moreira Neves, O.P., Titular Archbishop of Feradi.
Office: 10 Piazza Pio XII, Rome, Italy.

THE CONGREGATION FOR THE
ORIENTAL CHURCHES

This Congregation has as many offices as there are rites of Oriental Churches in communion with the Apostolic See. It treats all questions which pertain either to persons, or to discipline, or to the rites of the Oriental Churches, even if they are mixed in that by the nature of the thing or of persons they involve Latin Territories in which a major part of the Christians belong to Oriental rites are subject only to this Congregation. Even in Latin territories it carefully supervises the faithful of Oriental rites and provides as much as possible for their spiritual needs even by the establishment of their own hierarchy if the number of faithful and circumstances require this.

Cardinal Prefect: D. Simon Cardinal Laurodamy.
Secretary: Most Rev. Miroslav Stefan Marusyn, Titular Archbishop of Cadi.

IL THE CONGREGATIONS

Office: 34 Via della Conciliazione, 00183 Rome, Italy.

THE CONGREGATION FOR THE
SACRAMENTS AND THE CONGREGATION
FOR DIVINE WORSHIP

The Congregation for the Sacraments & Divine Worship oversees all matters which pertain to the discipline of the seven sacraments without prejudice to the other offices of the Holy See which have a special competence. It alone examines the non-consummation of a marriage and the presence of causes for the granting of a dispensation and everything connected with them. It has competence with regard to the obligations connected with major orders and it examines questions about the validity of sacred ordination.

Cardinal Prefect: Augustine Cardinal Mayer, O.S.B.
Secretary for Sacraments: Most Rev. Lajos Kada.
Secretary for Divine Worship: Most Rev. Virgilio Vae.
Office: 10 Piazza Pio XII, Rome, Italy.

THE CONGREGATION FOR
THE CLERGY

The Congregation for the Clergy is competent in all those things which concern clerics who exercise an apostolate in a diocese, whether it be their persons, their work or pastoral ministry.

35. First Office: the Congregation studies, proposes and urges the means and aids by which priests strive for sanctity. This Office also has charge of everything which concerns the work and discipline of the diocesan clergy.

36. Second Office: particularly promotes the preaching of the Word of God and the works of the apostolate and organization of catechesis, evaluates and approves pastoral and catechetical directories, fosters national and international Catechetical Commissions and indicates the opportune norms for religious instruction of children, young people and adults.

37. Third Office: looks to the preservation and administration of the temporal goods of the Church without prejudice to the other Congregations which have temporal goods committed to their vigilance.

Cardinal Prefect: Antonio Cardinal Innocenti.
Secretary: Most Rev. Massimo Romero de Lema.
Titular Archbishop of Cittanova.
Office: 3 Piazza Pio XII, Rome, Italy.

THE CONGREGATION FOR
RELIGIOUS AND SECULAR INSTITUTES

This Congregation is divided into two sections, one for Religious and the other for Secular Institutes.
38. First Section: is entrusted with the affairs of all religious institutes of the Latin Rite and their members; it is also competent in matters which pertain to societies of common life, whose members live like religious, or to Third Orders as such.

39. Second Section: is competent in the same way, all else being equal for secular institutes which, although not religious, make a true and complete profession of the evangelical counsels in the world.
Cardinal Prefect: Jerome Cardinal Hamer, O.P.
Secretary: Most Rev. Vincenzo Fagnolo.
Office: 3 Piazza Pio XII, Rome, Italy.

THE CONGREGATION FOR THE
EVANGELIZATION OF PEOPLES OR
FOR THE PROPAGATION OF THE FAITH

It is competent for those things which pertain to all

the missions established for the spread of the kingdom of Christ throughout the world and therefore for whatever is connected with the assignment and transfer of the necessary ministers, for describing ecclesiastical boundaries and proposing those who will govern them; it encourages the development of an indigenous clergy to whom will be gradually entrusted more authority and work. In the places subject to it the Congregation sponsors missionary initiatives and promotes missionary vocations and spirituality. It has charge of all that pertains to the holding of synods and councils to the establishing of episcopal conferences and to the review of their statutes and decrees. The Congregation has a Supreme Council for the direction of Pontifical Missionary Works on which depend the general Councils of the Missionary Union of the Clergy, the Society for the Propagation of the Faith, the Society of St. Peter the Apostle and the Society of the Holy Childhood.

Cardinal Prefect: His Eminence Josef Cardinal Tomko.
Secretary: Most Rev. Jose T. Sanchez.
Office: Palazzo di Propaganda Fide, 48 Piazza di Spagna, 00187 Rome, Italy.

CONGREGATION FOR
THE CAUSES OF SAINTS

The Congregation for the Causes of Saints, provided over by a Cardinal with the assistance of a Secretary and an Undersecretary, is competent in all matters which in any way pertain to the Beatification of Servants of God or to the Canonisation of the Blessed or to the promulgation of Relics.

This Congregation is divided into three offices.
Cardinal Prefect: Pietro Cardinal Palazzini.
Secretary: Most Rev. Traian Crusan, Titular Archbishop of Divisio.
Office: 10 Piazza Pio XII, Rome, Italy.

THE CONGREGATION FOR
CATHOLIC EDUCATION

It is competent for all that pertains to the formation of sciences and the Catholic education both of clerics and of the laity.

40. First Office: is charged with the direction, discipline and temporal administration of seminaries and whatever touches the education of the diocesan clergy and the scientific formation of religious and secular institutes.

41. Second Office: oversees universities, faculties, athenaeums and any institute of higher learning which has the name Catholic, in so far as they depend on the authority of the Church, not excluding those directed by religious or the laity.

42. Third Office: cares for the establishment of parochial and diocesan schools, watches over all Catholic schools below the level of a university and faculty as well as all institutes of instruction or education dependent on the authority of the Church. Also within the Congregation is located the Pontifical Work for Vocations, which is charged with coordinating and promoting the work of forming all ecclesiastical vocations.

Prefect: William Cardinal Baum.
Secretary: Most Rev. Antonio Javierre-Oliva, S.D.B.
Titular Archbishop of Mira.
Office: 3 Piazza Pio XII, Rome, Italy.

APPENDIX A 2

THE ROMAN CURIA

- XIII -

- THE ROMAN CURIA

III. TRIBUNALS

APOSTOLIC PENITENTIARY

The jurisdiction of this tribunal includes whatever pertains to the internal forum, even ecclesiastical. It is competent in matters pertaining to the granting and use of indulgences.
Major Penitentiary: His Eminence Luigi Cardinal De Ségno
Regent: Magr. Luigi De Magistris
Office: Palazzo della Cancelleria, Piazza della Cancelleria, Rome, Italy

SUPREME TRIBUNAL OF THE APOSTOLIC SIGNATURA

First Section: The Tribunal judges the matters assigned to it in the Code of Canon Law, prorogues the competence of tribunals, it extends the forum for strangers in Rome, it raises matrimonial nulli-

ty, extraordinary circumstances and for grave reasons, it supervises the proper administration of justice. It provides for the establishment of regional and interregional tribunals. It enjoys the rights assigned to it in concordats between the Holy See and the various nations.

Second Section: The Signatura settles questions about the exercise of administrative ecclesiastical power which are referred to it. It also passes on conflicts of competence among the Departments of the Holy See. It examines administrative matters referred to it by the Congregations of the Roman Curia as well as questions committed to it by the Holy Father.
Cardinal Prefect: Aurelio Cardinal Sabatini
Secretary: Most Rev. Zenon Grocholewski
Office: Piazza della Cancelleria, Rome, Italy

THE SACRED ROMAN ROTA

The Rota is a Tribunal of the Holy See which hears appeals from decisions of regional, metropolitan and diocesan tribunals. It is also a court of first instance for cases specified in the law and for others committed to the Rota by the Roman Pontiff. The greater part of its decisions concern the nullity of marriage. In such cases its competence includes marriages between two Catholics, between a Catholic and non-Catholic and between two non-Catholic parties whether one or both of the baptized parties belongs to a Latin or Oriental rite.
Dean: Most Rev. Arturo D'Uono
Office: Piazza della Cancelleria, Rome, Italy

IV. SECRETARIATS

Titular Archbishop of Minervio: Muzio

SECRETARIAT FOR NON-CHRISTIANS

Titular Archbishop of Erba: Most Rev. Luigi
This Secretariat occupies itself with those who, although outside the Christian religion, profess some religion or have a religious sense. It fosters studies and promotes relations with non-Christians to bring about an increase in mutual respect and seeks ways to establish a dialogue with them. It receives and carefully weighs the wishes of the Ordinaries; it provides for the formation of those who participate in dialogue.
President: His Eminence Francesco Cardinal Arinze
Secretary: Rev. Marcello Zago, O.M.I.

President: His Eminence Francesco Cardinal Arinze
Secretary: Rev. Marcello Zago, O.M.I.

SECRETARIAT FOR NON-BELIEVERS

16 Palazzo S. Calisto, Vatican City State
With the approval of the Supreme Pontiff, the Secretariat studies atheism in order to explore more fully its nature and, as far as possible, to establish

a dialogue with non-believers who sincerely wish to collaborate.

President: His Eminence Paul Cardinal Poupart
Secretary: Rev. Jordan Vangelopoulos, O.P.
Undersecretary: Rev. Frane Roda, O.M.

COUNCIL FOR THE LITANY

The norms were published in the apostolic letter "Catholicum Christi Ecclesiam" of 6 January 1967 (A.A.S. LIX, pp. 25-28).
President: Eduardo Cardinal Pironio
Vice President: De Luca, Most Rev. Paul J. Cordes
Titular Bishop of Naxos
Secretary of Litany Council: Vacant

JUSTICE AND PEACE

President: Roger Cardinal Etchegaray
Secretary: Most Rev. Jan Schotte, O.C.M.

V. OFFICES

ADMINISTRATION OF THE PATRIMONY OF THE HOLY SEE

Ordinary Section: Performs the tasks of administration committed to it.
Extraordinary Section: Handles the duties committed to it by the Sovereign Pontiff.
President: Agnello Cardinal Rossi
Secretary: Most Rev. Lorenzo Antonetti, Titular Archbishop of Roselle

and supermajor papal ceremonies other than the weekly liturgical.
Prefect: Most Rev. Jacques Martin, Titular Bishop of Neopoli de Palestina
Regent: Monseigneur Dino Mondesini

PREFECTURE OF THE PAPAL HOUSEHOLD

It is in charge of the Apostolic Palace and is at the service of the Holy Father both there and wherever he goes. It arranges audiences with His Holiness

This office gathers and organizes the data which seems necessary or useful for a better understanding of the state of the Church and for assistance to Bishops.
Charge of: Rev. Magr. Pietro Silvi

GENERAL STATISTICS OFFICE OF THE CHURCH

This office gathers and organizes the data which seems necessary or useful for a better understanding of the state of the Church and for assistance to Bishops.
Charge of: Rev. Magr. Pietro Silvi

VII. PERMANENT COMMISSIONS

PONTIFICAL COMMISSION FOR BIBLICAL STUDIES

President: Joseph Cardinal Ratzinger
Secretary: Vacant
Office: Palazzo Apostolice Vaticane, Vatican City

Secretary: Rev. Ivan Zuzek
Office: 34 Via della Conciliazione, Rome, Italy

PONTIFICAL COMMISSION FOR SOCIAL COMMUNICATIONS

President: Most Rev. John P. Foley
Vice President: Agnello Cardinal Rossi, O.F.M.
Secretary: Rev. Magr. Perfrancesco Pastore
Office: Palazzo San Carlo, Vatican City
President Emeritus: Most Rev. Maria J. O'Connor
Most Rev. Andre Dooker

PONTIFICAL COUNCIL FOR THE FAMILY

President: Edouard Cardinal Gagnon

PONTIFICAL COMMISSION FOR LATIN AMERICA

President: Bernardin Cardinal Gantin
Secretary: Magr. Michele Buro
Office: 10 Piazza Pio XII, Rome, Italy

PONTIFICAL COMMISSION FOR THE REVISION OF THE CODE OF CANON LAW
President: Rosendo José Cardinal Castillo Lara
Secretary: Rev. Magr. Juan Herranz
Office: 1 Via dell'Erba, Rome, Italy

PONTIFICAL COMMISSION FOR REVISION OF THE CODE OF ORIENTAL CANON LAW
President: Joseph Cardinal Pavetti
Vice President: Most Rev. Emilio Eid

PONTIFICAL COMMISSION FOR THE PASTORAL WORK OF HOSPITAL WORKERS
President: His Eminence Eduardo Cardinal Pironio
President: Most Rev. Fiorenzo Angelini

PONTIFICAL COMMISSION FOR THE STATE OF VATICAN CITY

President: Sebastiano Cardinal Baggio
President: Most Rev. Paw Marcinkus
General Secretary: Mr. Vittorio Troccoli
Office: Governatorato, Vatican City

(From Official Catholic Directory, New York: P. J. Kenedy, 1986)

APPENDIX A 3 Organizational Chart of the Roman Curia
 prepared by Arthur Jones and Peter Heplerthwaite

(From National Catholic Reporter, May 25, 1985)

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