

What Is Governance? A Beginner's Guide, and What It Means for the Church

Fr. Dr. Tomasz Włodarczyk

2026-10-10

Table of contents

Introduction	1
What does “governance” mean?	2
Why organisations bother?	2
Does it work?	3
Is governance relevant for the Church?	4
What follows from this?	5
Frequently asked questions	5
What do you think?	6
Sources	6

Introduction

Look into the classic books, the Greek philosophers or the Fathers of the Church, and ask what leading and steering mean (Latin *gubernare*, Greek *kybernein*). Then ask a modern company director what *governance* means. You will get two different answers.

The word comes from the Greek *kybernein*, to steer: a ship, a state, any institution. In the classical and Church tradition it means above all leading, shepherding. In management it means something narrower: a system through which an organisation, via its responsible

officers, follows rules, regulations and good practice, which is meant to lead to better results. This is usually the job of the board of directors.

I draw on the doctoral thesis of Raymond Pfang on management in the Catholic Church in England [year, university]. I will try to explain what the word means, whether the idea works in business, and why the question of governance comes up around the Church, even though it is not a market institution.

What does “governance” mean?

In running a company, *governance* is the system by which an organisation is directed and held to account. It is usually the board’s job. The board approves the company’s strategy and holds managers to account for carrying it out. For example, the board of a technology company might approve a five-year plan to expand into AI-based services, and then check revenue, product milestones and risks every quarter.

Although *governance* literally means steering, in organisational jargon it is not the same as management. One sets the direction and checks that we are on course. The other runs the day-to-day work within that framework. Back to the ship: the board names the destination and checks that the vessel is on the right course, while managers work out how to get there and sail the ship day to day. The first side asks: “Is this the right direction, and are we on track?” The second asks: “How do we reach our goals?” Politics works in a similar way: politicians set goals, and experts show how to reach them.

Good corporate governance rests on three pillars that can be verified: accountability, transparency and disclosure. Accountability needs three things: clear standards, information on how we meet them, and sanctions for breaking them.

The author of the thesis also describes governance through three elements: mechanisms, compliance and performance. Effective mechanisms and compliance with the rules are meant to lead to better results, whether these are measured by returns to investors, company value or strategic goals.

The author also notes that governance is not the only factor affecting results. Strategy, resources, the state of the industry and the external environment also matter. Good governance, however, creates conditions in which management can work effectively within those constraints.

Why organisations bother?

Which problem does governance answer? It exists because a company’s owners rarely run it personally; they do it through managers. The literature calls this the principal-agent problem

(agency theory). Managers know far more about the company than its owners do, and their goals, especially if they are hired for a few years, may differ from the owners’.

The Gospels know this conflict. In the parable of the talents, the master goes away, entrusts his property to servants, and on his return demands an account (Matthew 25:14–30). In the parable of the tenants of the vineyard, men who were entrusted with a vineyard refuse to hand over the produce to the owner and kill his son, hoping to seize the inheritance (Matthew 21:33–39).

In business, this conflict takes different forms. After the 2007 financial crisis, the UK’s Walker Review and the De Larosi re Report for the European Commission pointed, among the causes, to weak boards of directors and an incentive system that rewarded greed and excessive risk.

The aim of governance is to reduce the risk that a manager will act for personal gain. With it, managers should run the organisation honestly and in line with the owners’ goals, in the hope that this also brings better results. The assumption is this: since markets have developed practices that protect against known mistakes, a firm that follows them should make fewer of those mistakes and, on average, perform better.

Does it work?

Surprisingly, research does not give a clear answer to whether governance improves company results. Some studies find a link, others do not. One large analysis combining dozens of studies found no significant link between board structure and company results (Dalton and co-authors, 1998, as cited by Pfang).

There are several reasons for the dispute. First, it is hard to measure how transparency, board structure or accountability translate into results, and to separate their effect from other factors. Second, nobody knows which way causality runs: do good boards make good companies, or can good companies afford good boards? Third, governance concerns human behaviour, which is hard to observe and measure. Every teacher knows that a pupil who wants to will find a way around the rules. The question is whether regulations can make even a bad person act well. A lot depends on motivation.

There are also purely practical reasons. Board meetings take place behind closed doors, so researchers rarely see what happens in them, and studies use financial indicators as the measure of results. Despite the inconclusive statistical findings, regulators and investors still insist on corporate governance.

Is governance relevant for the Church?

Corporate governance, board of directors, financial results: this is not vocabulary we are used to in the Church. These concepts were not created in the context of the Church or for it. And yet questions about governance keep coming its way.

The rules of corporate governance were designed for listed companies, which have shareholders and financial indicators and aim at profit. The Church's mission is different: the salvation of souls. That is a goal that is hard to measure.

Why, then, is governance discussed in relation to the Church? First, because the Church has its own law, which imposes management-type duties on the administrators of Church goods. Canon 1284 of the Code of Canon Law says that administrators are to act "with the diligence of a good householder," keep books, pay their obligations and invest surpluses. This is not yet governance in the sense of oversight of those who govern, but it shows that the Church does not regard sound management as something unnecessary. The Church must also obey civil law on employment, taxes and safety.

Second, scale matters. According to Vatican statistics, baptised Catholics make up about 17.8% of the world's population, an estimated 1.4 billion people, and the Church is led by more than five thousand bishops. Add schools, hospitals and charitable institutions. Such complexity makes oversight a practical necessity, not only a theological problem. It is hard even to take stock of it all, let alone check whether the actions of bishops and parish priests comply with the rules and the policy of the Holy See.

Third, for years there has been loud talk of scandals in the Church. The most visible concerned sexual abuse, but the media also report cases involving mismanagement, debts and conflicts in dioceses. Authors critical of the current system of oversight stress the need to introduce corporate governance. They are cited by Pfang (they wrote between 2003 and 2006):

- Cafardi (2004) warns that if Church leaders do not accept accountability, society will force them to answer, through civil lawsuits or criminal proceedings.
- Doost (2003), in a paper pairing Enron and the Church, argues that the Church, as the largest Christian denomination, should have a system of corporate governance at an acceptable level.
- Post (2003) claims that the governance failures of 21st-century companies pale beside the way the Church handled the scandals. He proposes democratic principles, stronger accountability of the clergy, which would limit the almost absolute power of bishops, and greater financial accountability.
- Gluck (2003) points to the lack of an effective system for measuring performance, planning mechanisms and human resource management.
- Martin (2006) stresses the need for financial transparency.

The mere fact that they are cited does not mean they are right. I do not analyse the causes of the scandals here, and neither does the author of the thesis, and I do not claim that better

governance would have prevented them. Business research does not even allow us to claim that governance prevents corporate collapses.

A diocese is not a soulless corporation either, and the faithful and priests are not human resources. It has no shareholders and no board of directors in the corporate sense. There are advisory bodies, such as the presbyteral council (the council of priests), the finance council and the college of consultors, but in most matters they have only an advisory voice. There is no collective responsibility for decisions, because responsibility rests with the diocesan bishop. A diocese is also not a firm whose main purpose is to make money. Some of the faithful look with disapproval at the Church's wealth. The Church needs resources for its work, yet it teaches that one cannot serve both God and mammon (Matthew 6:24) or store up treasures on earth (Matthew 6:19). Financial indicators give an easy way to assess a market firm. A wrong choice of measure, however, could be disastrous for the Church's mission if the only criterion becomes not the good of souls but, say, a financial surplus.

The key difference between a firm with corporate governance and a diocese is, according to the author of the thesis, that in the Church responsibility is personal. All the power, but also all the responsibility, rests in the hands of the bishop. Not an anonymous "supervisory board" but "Bishop X Y" answers for the state of the diocese. Although he is appointed by Rome, he leads his diocese independently, in his own name. Above all, he answers to God. As for earthly accountability, the author of the thesis (on the basis of research in England) argues that canon law does not impose on the bishop a general duty to explain his decisions to his "stakeholders", that is, priests and the faithful. The bishop is, however, required to report "upward": every five years he submits to the Holy See a report on the state of the diocese.

What follows from this?

The real question is not whether to transplant solutions from market firms into the Church one to one. It is: what could accountability for decisions look like in a sacred institution whose mission is the salvation of souls? How can we introduce mechanisms that would help to avoid abuses without blurring the bishop's responsibility and without standing in the way of the mission of leading souls to salvation? Would we feel more at home or more at work in a Church with corporate governance? Solving this will certainly take a great deal of prudence.

Frequently asked questions

What is corporate governance? It is the system of rules, relationships and oversight through which an organisation is directed and held to account. It is usually the job of the board of directors, and rests on accountability, transparency and disclosure.

What is the difference between corporate governance and management? Governance sets the direction and checks that the organisation is run properly and honestly. Management delivers those goals day to day, running operations within the framework the board has set.

Does the Catholic Church have corporate governance? It has structures that serve similar functions: the bishop's authority, advisory bodies and law on managing Church goods. According to one study of dioceses in England, however, accountability runs mainly upward to Rome, not to priests and the faithful.

What do you think?

Could the board in your parish, company or organisation be dissolved by one decision of the person it is meant to oversee? Leave a comment or send me a message. Tell me how it works where you are.

Sources

- Pfang, T. Raymond. (2013). Management in the Catholic Church: Towards an Ecclesiastical Model of Corporate Governance. University of Surrey.
- Code of Canon Law (1983), canon 1284.
- Vatican News (March 2026), data from the Annuario Pontificio 2026 and the Annuario Statisticum Ecclesiae 2024.