

BENEDICTINE TRADITION AND GOOD GOVERNANCE

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Governance is the set of processes, customs, policies, laws, and institutions affecting the way an organization is directed and controlled. In the past few years, with the world economic crisis, and the huge scandals related to excessive manager compensation and fraudulent bookkeeping, the discussion over the need for good governance has become a hot topic. Many political and economic leaders recommend an accentuation and extension of external control mechanisms, such as a tightening of the law or new monitoring measures.

This original and unconventional paper shows that alternative solutions can be found in an unexpected place, namely in the ancient governance structures of religious orders like the Benedictines. With their governance, tested in practice over more than 1000 years, the Benedictine monasteries are a call to give weight to internal governance as well. It is interesting to note, among other aspects, that in order to reduce misbehavior, monastic governance involves broad participation rights of the members or an emphasis on implementing values and norms.

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> "*Essential for election and nomination [of the abbot] shall be the merit of his life and the wisdom of his doctrine*"
> (Regula Benedicti)

Monastic governance of a Benedictine kind starts with Benedict of Nursia (San Benedetto) (480-547), honored by the Roman Catholic Church as the patron saint of Europe. Benedict's main achievement is his *Rule (Regula Benedicti)*[1],which contains precepts for organizing a monastic life. Therein, his charismatic personality, knowledge of human nature and great foresight becomes visible[2]. Benedict was not the sole composer of the *Rule*, but adapted the scripts of his predecessors in an exceptional way. He knew the strengths, and particularly, the weaknesses of his peers; a unique spirit of balance, moderation and fairness does justice to the particular monk[3]. On an organizational level, the ability to adapt, inherent in this basic constitution, is one of the essential secrets of success of the Benedictine organizations[4]. As the history of religious orders shows, on the one hand, this flexible system created strongly diverging organizations with local, situational and temporal adaptations; on the other hand, it continued to rely on similar basic principles, which after more than 1000 years, are still alive. As a consequence, the *Rule of Benedict* became one of the most influential religious constitutions in Western Christendom.
In the *Rule of Benedict*, many pillars of Benedictine governance already make their appearance, as one can notice in the exemplary initial quotation. However, for this article, we are not interested in the saint or his *Rule* itself, but in the effective history it has initiated. This paper brings together our research on Benedictine governance[5], and extends the results to include a motivational perspective. We analyze how Benedictine institutions organize their governance. Their approved governance structures may offer new ideas and approaches for good governance beyond the monastic field. The paper proceeds as follows: First, we take a closer look into the Benedictine institutions, and particularly into the chronicles of one

1) *Regula Benedicti, Die Regel des heiligen Benedikt* (Beuron: Beuroner Kunstverlag, 2006).
2) The paper originated in the keynote speech of Bruno S. Frey at the International Seminar 'The Charismatic Principle in Economic and Civil Life: History, Theory and Good Practice', Sophia University, Loppiano (Florence), 28-29 May 2010. The authors are most grateful for the helpful support of Luigino Bruni (University of East Anglia) and the Benedictine Abbeys of Engelberg, Einsiedeln, Muri-Gries and Plankstetten.
3) A. Grabner-Haider, *Dei grossen Ordensgründer* (Wiesbaden: Marix Verlag, 2007).
4) B. Jaspert, 'Benedikts Botschaft am Ende des 20. Jahrhunderts, Regulae Bendicti Studia', *Annuarum Internationale* (1989), 16:205-232 and J. C. Eckert, *Dienen statt Herrschen. Unternehmenskultur und Ordensspiritualität* (Stuttgart: Schäffer-Poeschel, 2000).
5) E. Inauen and B. S. Frey, 'Benediktinerabteien aus ökonomischer Sicht. Über die ausserordentliche Stabilität einer besonderen Institution' (2008), *Erbe und Auftrag*, forthcoming; E. Inauen, K. Rost, M. Osterloh, B. S. Frey, 'Back to the future: A monastic perspective on corporate governance', *Management Revue* (2010), 21(1), 38-59; and K. Rost and M. Osterloh, 'Opening the Black Box of Upper Echelons: Expertise and Gender as Drivers of Poor Information Processing During the Financial Crisis', *Corporate Governance: An International Review* (2010), 18(3), 212-233.

exemplary abbey, the 900 year old monastery of Engelberg in central Switzerland[6]. With quantitative data and qualitative descriptions, we illustrate how Benedictine governance works. Second, three pillars of the monastic governance system, which we consider relevant today, are explained. Third, we compare Benedictine governance with current concepts of Corporate Governance, in order to gain new insights into improvements.

1. Benedictine Governance

Benedictine monasteries were pioneers in organizational design, with a major impact on the development of law and economy in the Occident[7]. As far back as around 1000 AD, an innovative structuring of their organizations, e.g., the division of labor or the development of work morale, brought enormous wealth to many Benedictine monasteries. However, wealth and fortune tend to go hand in hand with temptations. History reveals that the shortcomings and failures of abbots and their convents had serious consequences, sometimes threatening the existence of a monastery[8]. Nevertheless, mismanagement and fraudulence remain a rarity in the Benedictine abbeys. There is good reason for that. To prevent misconduct, a special governance system was developed which, in our view, was decisive for the impressive performance record and sustainability of these organizations[9].
In contrast to most other organizations, the Benedictines rely primarily on internal management and control mechanisms, characterized by three pillars. First, an embedding of the members in a common value system is of crucial relevance. Second, the monasteries developed democratic structures and give broad participation rights to their members. Third, while not entirely abandoning external control, they organize it in a different way. In the following paragraphs, we examine Benedictine governance, illustrated by an exemplary case, the Benedictine monastery of Engelberg[10].

6) Data for the analyses were obtained mainly from the following historical chronicles: Germania Benedictina (1970, 1975, 1999); Helvetia Sacra (1986); G. Heer, Aus der Vergangenheit von Kloster und Tal Engelberg 1120-1970 (Engelberg: Kloster Engelberg, 1975). Further, one of the authors lived in the monastery of Engelberg for three months.
7) A. Kieser, 'From Asceticism to Administration of Wealth. Medieval Monasteries and the Pitfalls of Rationalization', Organization Studies (1987), 8(2), 103-23, and L. Moulin, 'Policy-making in the religious orders', Government and Opposition (1965) 1(1), 25-54.
8) Germania Benedictina, 'Die Benediktinerklöster in Bayern' (St. Ottilien: EOS-Verlag, 1970); Germania Benedictina, 'Die Benediktinerklöster in Baden-Württemberg' (St. Ottilien: EOS-Verlag, 1975); Germania Benedictina, Die Reformverbände und Kongregationen der Benediktiner im deutschen Sprachraum' (St. Ottilien: EOS-Verlag, 1999); G. Heer, Aus der Vergangenheit von Kloster und Tal Engelberg 1120-1970 (Engelberg: Kloster Engelberg, 1975). This was the case in the monastery of Engelberg as well. The monastery did not remain unscathed by dishonest or incapable abbots. One example is the life of abbot Johann Strin (1442-1450), who wasted the fortune of his monastery, and spent more time in Lucerne freely associating with women than in the monastery. Strin is described as 'vermin' and as unqualified as a steward of his community.
9) E. Inauen and B. S. Frey, 'Benediktinerabteien aus ökonomischer Sicht. Über die ausserordentliche Stabilität einer besonderen Institution' (2008), *Erbe und Auftrag*, forthcoming.
10) E. Inauen, et al., 'Back to the future'.

To investigate whether the governance structures are successful, we refer to the leaders of this monastery and distinguish between competent and incompetent abbots. Table 1 shows the results of the analysis and confirms the practicability of some of these mechanisms.

Table 1. Determinants of good and poor abbots[11]

Characteristics of the abbot	Good abbot	Poor abbot	Total	N	F-Value	Sig.
Tenure (yrs)	19.44	7.54	16.29	49	17.70	.000
Not self-determined election	10.71%	63.64%	25.64%	39	15.67	.000
Abbot origin from an outside Benedictine monastery	18.18%	40.00%	23.26%	43	7.87	.008
Bad Pre-election performance of abbot	6.45%	70.00%	21.95%	41	29.99	.000

Note: All abbots from the monastery Engelberg during the time period 1120-2010.

The Benedictine governance system consists of the three main pillars, which are explained in the following subsections.

Embeddedness in Common Value Systems

Values and norms are of tremendous relevance in the monasteries. While many other organizations establish control and supervisory institutions in order to monitor decision making, in monasteries, a common value system is the basis of conflict resolution and standards of correct behavior. The Benedictine value system is based on three cornerstones: the Bible, the *Rule* of St Benedict and the tradition of a particular monastery. In order to implement these values, the Benedictines developed various selection and socialization practices.

First, candidates for a monastic life go through a stringent selection process, in order to ascertain their suitability[12]. During a first probation period, the candidate has the opportunity to carefully consider his motives. In the next years, the novice learns the background of the value system, the Holy Scripture and church law. Education is of great relevance, involving a monastic apprenticeship or the beginning of studies. Only after several years and passing through the different steps the final oath (including broad participation rights) can be celebrated.

Second, in order to ensure living and working together successfully, careful socialization and the composition of an organizational identity are considered essential parts in the governance of these collectives. As such, for the padres and brothers, an equality of treatment in daily life is important in order to integrate new members and establish common values. The transfer of values takes place through the members of the community, and manifests in institutional structures

11) Ibid.
12) *Schweizer Benediktinerkongregation*, 'Satzungen und spirituelle Richtlinien der Schweizer Benediktinerkongregation' (Engelberg: Kloster Engelberg, 1986).

like daily routine, prayers, common meals and meetings, a sensible allocation of tasks or trainings, and education in different areas. Along with socialization goes the forming of an identity. The religious order and the local organization provide the meaningful frame of reference.
The utility of these practices can be illustrated with an evaluation of the abbots in the monastery of Engelberg. We find strong differences among abbots coming from an external Benedictine abbey and abbots coming from within the monastery of Engelberg. The results in Table 1 demonstrate that only 18% of the good abbots were outsiders. In contrast, 40% of the poor abbots were outsiders. Further, pre-election performance of an abbot, i.e., the shadow of the past, is a good indicator of his post-election performance. We searched the historical chronicles for the activities and responsibilities of an abbot practiced before his election, i.e., when serving as a common monk. The results support our proposition by showing that only 6% of the competent abbots had a poor or inconspicuous track record, while 79% of the poorly performing abbots had a poor or inconspicuous track record. A more qualitative look exemplifies the results: Internal selection and socialization principles work quite well in the monastery of Engelberg.

Democratic Structures

Surprisingly, the Benedictine Order (contrary to the strict hierarchy of the Catholic Church) is organized in a very democratic way and reveals a culture of co-determination. The padres and brothers possess substantial participation rights and monitor the abbot and his officials[13]. Each of the monks with a solemn profession has equal rights and may vote in elections. The convent, i.e., the religious community of a monastery, has different major tasks. First, it is responsible for decision making in important business affairs, e.g., the acceptance of a novice as a full member, or an expansion of the monastery through acquisition. Second, the convent democratically elects the abbot and employee representatives for the 'advisory board', i.e., the *Consilium*. Third, the convent evaluates whether a proposed prior (the vice 'CEO') is eligible. Monasteries complement participation processes with internal control processes. Similar to some stock corporations, monasteries have a two-tier board structure. In addition to the 'management board', with the abbot and his officials, there exists a separate advisory board, with partly elected members of the convent. Finally Benedictine organizations are characterized by transparent structures and processes, comprehensible to all members.
Our analysis shows that, in monasteries, a democratic election leads to an increased number of good abbots. In contrast, external intervention, such as the manipulation of the election of an abbot, undermines internal governance. Monasteries operating under such conditions should see an increased number of poor abbots. Table 1 shows that this suggestion is validated by the data. The results first show that, among the good abbots, only 11% were not democratically elected,

13) *Consuetudines*, (Engelberg: Consuetudines Abbey of Engelberg, 1991); 'Satzungen und spirituelle Richtlinien der Schweizer Benediktinerkongregation' in *Schweizer Benediktinerkongregation*, (Engelberg: Kloster Engelberg, 1986); 'Eigenrecht der Bendiktinerkongregation St. Ottilien' in *St. Ottilien Benediktinerkongregation*, (St. Ottilien, 2004).

i.e., their election was externally manipulated. In contrast, 67% from the abbots associated with governance problems were not democratically elected. External interventions disregard the preferences of the monks, and thus ignore the fact that organizational members themselves have the most comprehensive information about the skills, past behavior, and talent of a contender.

Integration in the Hierarchy of the Catholic Church

Finally, the external control of the Benedictine Order is hierarchically organized, and involves jurisdiction and periodical external evaluation. Benedictine monasteries belong to the Catholic Church and are governed by its laws. The jurisdiction of the Congregation[14] is the first judicial authority outside the monastery where disputes are settled. The Congregation supervises the election of abbots and organizes the 'visitations' of monasteries. In the Benedictine Order, the subsidiary principle is applied. As the legal rules of the umbrella organizations are quite general with respect to economic issues, the so-called 'visitation', a periodical external evaluation, is the most important tool for disciplining the convents. Every four to five years, delegates of the Congregation visit a community to evaluate the condition of the monastery. The visitation not only examines the economic situation of a monastery and its fields of activity, but also the spirit and the discipline of the community and their members, and the possible abuse of authority[15]. In the last several decades, the main function of 'visitations' is to induce reflection, rather than an exercise control and discipline.

In the monastery of Engelberg, the system for dismissal of abbots is efficient. Therefore, the tenure of poorly performing abbots is shorter than that of competent abbots. While good abbots have an average tenure of 19.44 years, poor abbots show an average tenure of only 7.54 years. Thus, poor monastic leaders are unable to permanently install themselves at the top of the organization, even though they are essentially elected for life. The monastic structures facilitate the dismissal of poor abbots by employing two mechanisms. One of the most obvious instruments is external visitation, i.e., the regular evaluation of the monastery by the umbrella organization to detect irregularities and to support monasteries in trouble. Additionally, in many cases, internal pressure can lead to the resignation of an abbot. This pressure is effective within monasteries, since an abbot depends a great deal on the goodwill of his convent.

Benedictine monasteries in Germany and Switzerland substantiate the findings of the Engelberg case study. To broaden the basis of our analysis, we additionally present quantitative evidence on the efficiency of Benedictine governance[16].

14) Congregations are the umbrella organizations comprising about five to twenty Benedictine monasteries.

15) 'Satzungen und spirituelle Richtlinien'.

16) E. Inauen and B. S. Frey, 'Benediktinerabteien aus ökonomischer Sicht', forthcoming; K. Rost, E. Inauen, M. Osterloh, B. S. Frey, 'The Corporate Governance of Benedictine Abbeys: What can Stock Corporations Learn from Monasteries?' *Journal of Management History* (2009), 16(1): 90-115. We collected data on all Benedictine abbeys that existed in Baden-Württemberg, Bavaria and German speaking Switzerland. The sample covered a total of 134 monasteries (Rost et al., 2009).

Benedictine monasteries in Germany and Switzerland have an average lifespan of almost 500 years. In combination with the reasons for closure, this average lifetime is a strong indication of efficient governance in Benedictine monasteries. Only one quarter of the monasteries studied were unable to survive due to governance problems, including insolvency, lack of discipline and recruitment problems. The vast majority of monastic houses were closed either due to external institutional factors (e.g., secularization), or are still existing today. In the history of the Benedictine Order, a selective process occurred. While some of the organizations failed due to problems of misconduct and governance, the historical analyses show that the Benedictines are capable of adjusting their institutions with regard to governance problems. We show in particular that the monastery of Engelberg adopted an efficient governance system, with an emphasis on internal governance mechanisms. These findings apply to the Benedictine Order as a whole[17].

2. Comparison of Benedictine Governance with Current Concepts of Corporate Governance

A common value system, democratic structures, and hierarchical integration point to three characteristics of Benedictine governance: the emphasis being on internal control, codetermination, and supportive external control. These characteristics are also interesting with respect to motivation. They not only reduce misbehavior, but foster intrinsic motivation. Similar concepts can be found in the literature on corporate governance of profit and nonprofit organizations (e.g., Frey, B. S. and M. Osterloh, 'Yes, managers should be paid like bureaucrats', *Journal of Management Inquiry* (2005), 14(1), 96-111). In the following section, we contrast monastic governance with corporate governance. To deepen our understanding of governance, we utilize Benedictine organizations to illustrate the practicability of the monastic concept and reason why it was so successful through time and history.

Focus on Internal Control

In standard economics, particularly in the principal agency approach, it is assumed that performance measurement and performance pay raises performance. Thus, external incentives like performance evaluations and, in particular, output control have become a common procedure in many profit-oriented firms and in some nonprofit and governmental institutions[18]. Monastic governance supports work moti-

17) It should be mentioned that such an extreme way of life, as chosen by the Benedictine monks can also be discussed from a different perspective. For example, E. Goffman, in Asylums: *Essays on the Social Situation of Mental Patients and Other Inmates* (Garden City, New York: First Anchor Books Edition, 1961), depicts monasteries as 'total institutions', which may deprive an individual of his rights and lead to a degeneration of the personality. Such concerns are not addressed in this paper.

18) E. Inauen, K. Rost, M. Osterloh, F. Homberg, B. S. Frey, Monastic Governance: Forgotten Prospects for Public Institutions. *American Review of Public Administration* (2010), forthcoming; and Weibel, A., K. Rost, M. Osterloh, 'Pay for Performance for the Public Sector - Benefits and (Hidden) Costs', *Journal of Public Administration Research and Theory* (2010), 20(2), 387-412.

vation in a different way. Instead of output controls, the Benedictines rely on input, process, and clan control. This is in line with managerial control theory[19]. It implies that output control is adequate only for some tasks, in particular simple tasks which can be easily measured. Complex assignments, e.g., leading an organization, require different control modes, such as clan or process control, because the quality of knowledge intensive work is not quantifiable. The theory is applicable to monastic governance: through careful selection and socialization practices, a shared understanding of the rules is advanced and desired behavior promoted[20]. The convent examines the preconditions of contenders and configures the processes and practices within the monastery. The social integration of the members and the internalization of values are given special importance. Thereby, the 'clan', i.e., the community of a monastery, has a supportive and corrective role. With their system, the Benedictines counteract the trend to determine performance criteria only and to control them ex post. This strategy brings considerable advantages, notably, by preventing unfavorable outcomes like excessive manager compensation and fraudulent bookkeeping created by the wrong incentives of external control[21].

Focus on Co-determination

In monasteries, monks are compensated for their (lifelong) tenure not with monetary rewards, but with 'spiritual rewards', and through obtaining considerable voting rights and codetermination[22]. This provides a strong incentive to invest in firm-specific knowledge[23]. Monks are involved in decision making, and thus have the power to discipline and supervise monastic leaders. As such, they are capable of shaping the future of their institution.

Co-determination and members' voice are subjects of intense discussions in management research as well. For many economists, it is indisputable that the key task of corporate governance is to generate, accumulate, transfer and protect

19) M. Eisenhardt, 'Control: Organizational and Economic Approaches', *Management Science* (1985), 31: 134149; W. G. Ouchi, 'A Conceptual Framework for the Design of Organizational Control Mechanisms', *Management Science* (1979), 25: 833-848; and J. D. Thompson, *Organizations in Action*. Social Science Bases of Administrative Theory (New York: McGraw-Hill, 1967).

20) E. A. Fong and H. L. Tosi, 'Effort, performance, and conscientiousness: An agency theory perspective', *Journal of Management* (2007), 33(2), 161-179.

21) L. Bebchuk and J. M. Fried, *Pay without Performance. The Unfulfilled Promise of Executive Compensation* (Massachusetts: Harvard University Press, 2004); K. Foss, N. J. Foss, H. Vasquez, 'Tying the Manager's Hands: Constraining Opportunistic Managerial Intervention', *Cambridge Journal of Economics* (2006), 30(5), 797-818; Frey, B. S. and M. Osterloh, 'Yes, managers should be paid like bureaucrats', *Journal of Management Inquiry* (2005), 14(1), 96-111; S. Kerr, 'On the Folly of Rewarding A, while Hoping for B', *Academy of Management Journal* (1975), 18, 769-83; M. Osterloh and B. S. Frey, 'Motivation, Knowledge Transfer, and Organizational Forms', *Organization Science* (2000), 11(5), 538-50; K. Rost, E. Inauen, M. Osterloh, B. S. Frey, 'The Corporate Governance of Benedictine Abbeys: What can Stock Corporations Learn from Monasteries?', *Journal of Management History* (2009), 16(1), 90-115.

22) A. O. Hirschman, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States* (Cambridge, USA, 1970)

23) M. Osterloh, B. S. Frey, 'Shareholders Should Welcome Knowledge Workers as Directors', *Journal of Management and Governance* (2006), 10(3), 325 -45.

valuable knowledge and capability[24]. 'Knowledge workers' are essential for firm performance. However, if their bargaining position is not protected after they enter into the labor contract, employees have no incentive to undertake firm-specific investments[25]. With co-determination, such protection can be ensured[26]. The example of the Engelberg monastery suggests that this form of knowledge protection is accompanied by improved checks and balances. First, co-determination and the involved exchange of information often lead to an adjustment of interests between the parties, and reduce information asymmetries[27]. Second, participation and self-governance is strengthened by the community, as those breaking the rules are more easily identified by colleagues. Finally, co-determination facilitates not only the intrinsic motivation of knowledge workers but also raises their loyalty to the firm[28].

Focus on Supportive External Control

Another trend in management theory, reinforced by the world economic crisis, is the call for rigorous standards and tightened laws[29]. Against these claims, in the last decades external control in the Benedictine institutions has developed in another direction. The Benedictines heavily rely on internal control, as well as supportive external control. Mutual assistance and initiating self-reflection are seen as more important than the monitoring aspect. Such types of external control are not perceived as controlling, and therefore do not reduce intrinsic motivation of the employees[30].

A similar focal point could prove to be a promising path for the future governance of firms. It is highly controversial as to whether an enhancement of external control and tightened regulation lead to satisfactory outcomes. The empirical results on the effectiveness of these measurements are not convincing. Firstly, performance-related executive compensation has contributed significantly to a lack of transpar-

24) E.g., R. M. Grant, 'Prospering in Dynamically-Competitive Environments: Organizational Capability as Knowledge Integration', *Organization Science* (1996), 7, 375-87; J. C. Spender, 'Making Knowledge the Basis of a Dynamic Theory of the Firm', *Strategic Management Journal* (Special Issue 1996), 17, 45-62; D. J. Teece, G. Pisano, A. Shuen, 'Dynamic Capability and Strategic Management', *Strategic Management Journal* (1997), 18(7), 509-33.

25) M. M . Blair, L. A. Stout, 'A team production theory of corporate law', *Virginia Law Review* (1999), 85(2), 247-328; R. B. Freeman, E. P. Lazear, 'An Economic Analysis of Works Councils' in J. Rogers and W. Streek (eds), *Works Councils: Consultation, Representation, and Cooperation in Industrial Relations* (Chicago: University of Chicago Press, 1996), 27-49.

26) M. Osterloh, B. S. Frey, 'Shareholders Should Welcome Knowledge Workers as Directors', *Journal of Management and Governance* (2006), 10(3), 325-45.

27) E.g., K. Rost, M. Osterloh, 'Opening the Black Box of Upper Echelons: Expertise and Gender as Drivers of Poor Information Processing During the Financial Crisis', *Corporate Governance: An International Review* (2010), 18(3): 212-33.

28) M. Osterloh and B. S. Frey, 'Shareholders Should Welcome Knowledge Workers as Directors'.

29) L. Snider, 'Accommodating Power: the "Common Sense" of Regulators', *Social & Legal Studies* (2009), 18(2), 179-97.

30) E. L. Deci, R. Koestner, R. M. Ryan, 'A meta-analytic review of experiments examining the effects of extrinsic rewards on intrinsic motivation', *Psychological Bulletin* (1999), 125, 627-68; B. S. Frey, R. Jegen, 'Motivation crowding theory: A survey of empirical evidence', *Journal of Economic Surveys* (2001), 15(5), 589-611.

ency in pay policy, or even to a loss of control through manipulation[31]. Secondly, the draconian sanctions of the Sarbanes-Oxley Act[32] are bound to lead to an explosion in costs, without slowing the explosion in salaries and fraudulent bookkeeping[33]. Thirdly, instead of gaining control of the reward systems, enhanced regulation and monitoring lead to increasing compensation[34]. Therefore, relying solely on external control is a dangerous strategy. Consequently, even in the today's financial industries, the reliance on output control has been abandoned[35].

Focus on Intrinsic Motivation

The concepts described in the previous chapters have a common denominator. They influence motivation in a desirable way and reduce misconduct. Very briefly, we explain how motivation is arranged in Benedictine monasteries. People are not just driven by external incentives like rewards, punishments or regulations. Rather, people are motivated by enjoyment at work and from internalized obligations to adhere to particular norms, i.e., people are intrinsically motivated. Benedictine institutions take into account such intrinsic motivation in an exemplary manner, and point to an alternative way for governing an organization. To induce correct behavior, they create a work environment which encourages loyalty to the institution. Self Determination Theory[36] provides an appropriate framework. The theory posits three basic psychological needs as a central function of motivation development and dynamics - the needs for relatedness, competence and autonomy. If the needs are satisfied, intrinsic motivation can be developed. Relatedness plays a key role for the padres and brothers. A strong embedding in social relations, e.g., the feeling of being the member of a family, fosters the internalization of values and ideals, as well as enabling identification with the organization. Intrinsic motivation emerges. With the psychological needs of autonomy and competence, the case is more complicated. On the one hand, Benedictine organizations are strongly regulated; on the other hand, the needs for autonomy and competence are taken

31) D. Aboody, R. Kasznik, 'CEO stock option awards and the timing of corporate voluntary disclosures', *Journal of Accounting and Economics* (2000), 29(1), 73-100; K. Rost, M. Osterloh, 'Management Fashion Pay-for-Performance for Ceos', *Schmalenbachs Business Review* (2009), 61(4), 119-149; D. Yermack, 'Good timing: CEO stock option awards and company news announcements', *Journal of Finance* (1997), 52(2), 449-76; L. Zingales, 'The Future of Securities Regulation', *Journal of Accounting Research* (2009), 47(2), 391-425.

32) A US federal law, which set new or enhanced accounting standards in 2002.

33) R. Romano, 'The Sarbanes-Oxley Act and the making of quack corporate governance', *Yale Law Journal* (2005), 114(7), 1521-612

34) R. E. Hoskisson, M. W. Castleton, M. C. Withers, 'Complementarity in Monitoring and Bonding: More Intense Monitoring Leads to Higher Executive Compensation', *Academy of Management Perspectives* (2009), 23(2), 57-74.

35) R. Schmidt, 'Are Incentives the Bricks or the Building?', *Journal of Applied Corporate Finance* (2010), 22, 129-36.

36) E. L. Deci and R. M. Ryan, 'The Empirical Exploration of Intrinsic Motivational Processes' in L. Berkowitz, *Advances in Experimental Social Psychology* (New York: Academic Press 1980), 13, 39-80; E. L. Deci and R. M. Ryan, 'The "What" and "Why" of Goal Pursuits: Human Needs and the Self-Determination of Behavior', *Psychological Inquiry* (2000), 11(4):, 227-68; M. Gagné and E. L. Deci, 'Self-determination theory and work motivation', *Journal of Organizational Behavior* 26 (2005), 331–62.

into account through broad participation rights. The trust and responsibility given to the members also satisfy these basic needs. Coincidentally, external incentives play only a minor part in Benedictine governance. When they do, the supportive character of external control prevents a crowding out of the intrinsic motivation of members.

A survey among 17 Benedictine and Cistercian abbeys, who also refer to the *Rule of Benedict*, substantiates the fact that intrinsic motivation is successfully enabled[37]. An average of some 20% of padres and brothers deals with regular motivation problems during their daily work routine. Only two (out of seventeen) of the interviewed monastic leaders list motivation problems as a relevant issue in their organization. Further, it appears that intrinsic motivation is strongly present in most of the communities, with external motivation having little impact. When compared to non-monastic organizations, the picture is quite different. In the last decade, the motivation and engagement of employees is shown to be low through all hierarchical levels, whether in the US, Germany, France or Switzerland (GALLUP 2010). Switzerland is showing the highest figures for motivation - only 22% of the people give their fullest to their work activity. We conclude that Benedictine monasteries have been successful in developing and maintaining the intrinsic motivation of their members.

3. Conclusion

Benedict would be stunned if he could see what emerged out of his Rule. The basic principles inherent in the governance of the Benedictine Order may again play a trend-setting role in the future. In the last decade, the call for more external control was loud and clear. Benedictine monasteries illustrate that internal incentives offer a promising alternative, and can be seen as a reasoned plea for a new direction beyond stricter regulation.

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37) More information and data can be made available by the first author.