DESIGNING THE FOUR COMPARTMENTS OF ORGANISATIONS: CONSTITUTING, GOVERNING, TOP OFFICER AND EXECUTANT BODIES

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Background

The emergence and dominance of large formal organisations is the feature that overwhelmingly marks cultural evolution in the West in this century [4, 6, 7, 11, 16, 44].

Organisations have become the environment in which we work and live. Our daily desires to eat, sleep, play, and strive in health and happiness are not so much affected by the weather or wild animals as by innumerable institutions. We look less to ourselves or to our fellows for products and services and more to organisations: the construction company that built our house, the retail firms that sell us food and clothing, the enterprise that employs us, the school that educates our children, the government agency that warns of the impending weather, the charity that provides our community theatre, upon all these and many more we depend.

The Problem. If we must depend on our organisations then we must learn to create, operate and modify them to meet our needs. Although many organisations are reasonably managed internally, their linkage with the values and needs of individuals, with other organisations and with wider society generally is often problematic. Firms become unresponsive to their shareholders. Boards provide no check on chief executives. Top officers lose the confidence of their workforce. Politicians battle with civil servants. Members appointed to statutory authorities become rubber-stamps. Committees in voluntary associations proliferate uncontrollably. Citizens are ignored in decisions or involved in an unrealistic way.

Such problems, often said to be caused by moral failing or climates of distrust, may be better explained by ignorance and confusion. Society promotes the use of organisation, but it is not always clear why organisation is so necessary and desirable. Indeed, for many, the complexity that formal organisation invariably brings in its train appears an evil.

Legislation enshrines this complexity by identifying and requiring a number of different elements in organisations. In firms, for example, the shareholders are invariably differentiated from the board, which in turn is differentiated from employees. Such elements of any organisation will be here termed *compartments* to emphasise their discreteness and inner complexity. Again, the number and rationale of compartments is not generally appreciated.

In order to bring clarity into the design of socially-responsive organisations, it is necessary to understand and explain: (a) the purpose of formally organising, (b) the socially-recognised compartments of the organisation so formed, (c) the responsibilities or duties of these compartments, and (d) the requisite relations between the compartments. *What is required by society are precise formulations on these matters which can be understood and acted upon by ordinary people, and which are sufficiently robust to be used subsequently as criteria for evaluating performance.*

The Solution. The model to be presented is judged to be now sufficiently developed and validated to be applied and further refined by others. However, organisations are exceedingly varied, and the analysis is therefore not presented for cookbook-style application. It needs to be used with a sensitive appreciation for the type of organisation or compartment, and adapted to local social realities. In other words, introduction of the model and underlying framework may involve careful inquiry, and usually stimulates personal growth and organisational development which also need proper facilitation.

Practical Research. Although legal, economic, political and, especially, sociological study of organisations has been sustained since the 1930s, practical research has been

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comparatively meagre. Policy studies in business and government, for example, did not become a serious object of study until the 1960s. Practical organisation within the voluntary sector has been barely touched upon [13]. Of those organisational studies geared to the practicalities of managing, most operate by raising awareness among those involved [37]. Relatively few are deliberately design-oriented. Of the latter, most focus almost exclusively on just one compartment, the executive structure [12, 16, 36, 42].

Relevant reflections on organisational practices are to be found in many governmental commissions of inquiry. Such commissions are stimulated by a need, periodically, to review legislation by re-examining the purpose of organisations of different types and the comparative rights and obligations of relevant groups and the community. The resulting reports facilitate comparisons of design principles for organisations between different countries [14]. These sources generally confirm the overall picture as one in which it is not known, in principle, what to expect of organisations, nor how people (insiders or outsiders) should act, nor how the main socially-recognised compartments should interact.

In practice, the design of compartments (other than the executive) and inter-relations among them is based almost wholly on a mixture of expediency, intuition, custom and fashion. Current organisational theory tends to treat organisations as essentially unitary executive things — like 'hierarchies', 'cooperatives' or 'matrix organisations'. Other compartments, when studied, are generally viewed as disconnected entities. It is recognised that several compartments are needed to handle an organisation's embeddedness in wider society, but little effort has gone into developing an unambiguous and effective model of their joint operation.

Historical Perspective. Formal organisation is not new, but its extent and the implications for the individual in society have increased dramatically over mankind's social evolution. For over 2,000,000 years until about 10,000 BC, people operated nomadically in small family bands and could depend on informal organisation. Then development of farming and villages led to surpluses and trading, and encouraged the systematic division of labour. When towns and cities emerged around 5,000 BC, some formal organisation became essential; and the development of writing and money allowed civil administration. The organisation of the military and religious functions, together with improvements in materials technology, enabled the creation of empires around 3,000 BC.

Rules in the ancient civilisations operated on the basis of divine authority, and the embeddedness of their enterprises within society was never an issue. They could therefore merge decisions about orientation with those of implementation. Slavery and serfdom were social arrangements which perpetuated the merging of ownership and management. Lack of differentiation also marked ordinary enterprise which, for several millenia, depended on partnership where all those committed to an endeavour expected to orient it and to share in both the work and profits.

In England from early times, corporate bodies could be set up by Royal Charter and later by Parliamentary Act, and given the power to do anything an individual might do. The East India Company, for example, was chartered. However, once formed, the scope of a chartered company's activities was unlimited, and this put creditors and members at risk. The large trading companies which developed in the 17th and 18th centuries were unincorporated bodies run by large fluctuating numbers of loosely associated people with transferable shares. A person dealing with them could not know with whom he was contracting or whom to sue.

The need for effective legal control and the disparate requirements to concentrate capital and to develop complex workforces became fully apparent with the industrial era in the mid-19th century. Full internal differentiation was introduced. As a result, incorporation of an enterprise became generally available in the form of a limited liability company [43]. Incorporation resulted in a *de facto* immortal entity with the legal capacity to act as a person quite distinct from the actual people who held the capital.

Various legal reforms followed and formally constituted organisations proliferated in the 20th century as governments in the West fostered the establishment of myriads of small and large firms, public agencies, and voluntary organisations. All these were

required by law to be compartmentalised: for example, although details varied, the process and structures for governing the organisation were invariably sharply distinguished from its daily operations. But how the whole compartmentalised system was to operate effectively was never satisfactorily clarified.

Design Criteria. The practical design of arrangements for any particular organisation should be systematic and based on an adequate framework. The requisite design framework needs to comprise first the unambiguous identification of compartments, and then a precise but general specification for the duties of each compartment. The relationship between compartments and their duties must be linked to the rationale of formally organising. To be useful and usable, the formulations need to be self-evident and acceptable to people, and the whole set must be consistent, complete and logically inter-related.

Any set of formulations meeting these requirements can only be developed on the basis of an agreed conceptual framework which possesses such properties. Although, *a priori*, it might be expected that some natural order of organisation could exist, published accounts do not reveal it. Documents explaining duties of key actors within organisations, such as governors and chief executives, typically do not meet the above criteria: for example, similar lists of non-specific responsibilities — like leadership, policy-making, allocating resources — are often used, with no compelling underlying logic and without distinguishing the work of the different protagonists.

Research Approach Used. The findings and formulations to be presented in this paper have emerged primarily from a twenty-year action research project into the organisation and management of the United Kingdom's National Health Service (NHS) and from similar work in U.K. local government. The method is based on consultation which is collaborative, analytic, systemic and change-oriented [18, 41], and with a major concern to empower all involved [39].

The NHS is as complex as any organisation in the world, being the largest employer in Western Europe, and involving politicians, civil servants and the public as well as managers, health professionals in numerous disciplines, technicians and unskilled staff. Using the research approach, major organisation development projects have been mounted, and hundreds of conferences and seminars run. New ideas have been pursued with thousands of staff at all levels of the NHS and followed up over many years [27]. The knowledge gained is regularly fed back to the NHS and the educated public [17, 20, 21, 28, 29, 40].

In addition, since 1985, consultation and collaborative research analyses have been pursued within local governments which provide welfare, education, housing and other public services for large communities. As in the NHS, this has enabled hypotheses about requisite activities, duties, structures and conventions to be precisely formulated and tested in practice with politicians and managers. These have been followed up over several years [32]. Similar consulting-based research by colleagues has enabled ideas to be applied and tested in the commercial sector, and with other governmental and semi-governmental agencies, voluntary organisations and churches.

Aims of the Paper. A hierarchical theory of purpose that provides a logical and suitable framework for design has recently been proposed by the author, and validated on the basis of this research [19]. The paper reports on the use of this framework to model the main organisational compartments and their duties. Some comments on the structures and processes that flow from this model are offered.

Although the formulations and principles to be offered are primarily design statements of 'what should be', in many cases they can be recognised as rooted in 'what now exists' (at least in better run enterprises). Most propositions align with existing research or common belief, but offer more precision and, more importantly, are far more usable because they are embedded within a complete and comprehensible framework.

The paper first summarises the theoretical framework, and then the findings which pointed to the need for the model. The different compartments are then identified, and their principal duties and operating characteristics described. In conclusion, some implications of the model are noted. To aid application, a more concrete exposition of the various functions, activities and relationships using the model is provided in an Appendix.

5

The Levels of Purpose Framework

As noted above, a conceptual framework must underlie the socially recognised compartments within organisations, and a suitable framework has already been offered by the author [19]. It is the hierarchy of levels of purpose. This framework requires a brief exposition before applying it to compartmentalisation.

Levels of purpose theory emerged from research on the working of the District Health Authority (DHA), a governing body within the NHS responsible typically for providing a comprehensive range of hospital and community health services to about 250,000 people. An urgent need to clarify the nature of the DHA's responsibility for policy was recognised during consultancy work. Policy was identified as one of a group of words roughly synonymous with purpose — others in the group include strategy, plan, goal, mandate. However, confusion in the terminology was evident in the literature of purpose which spread across numerous disciplines and domains. It was finally determined that *there were five fundamentally different forms of purpose in actual use, and these were hierarchically related* [19] (see Table 1). Terms like purpose, goal, objective, aim, intention and end were used generally and indiscriminately, so more precise names for each form of purpose were adopted from Algie [2].

The principal function of the hierarchy appears to be to enable values to be articulated, promoted and translated into action. That the forms of purpose constitute a hierarchy became evident from a conceptual and social analysis. Defining the forms of purpose reveals that the specification of purpose at each level serves as a naturally encompassing context for purposes at the level below, and is justified by appeal to purposes at the level above. Moreover, in studying actual decisions, we found that *each level is associated with a typical social structure which is assigned the authority (or right) to set the relevant purposes at that level*. As the levels are ascended, these structures are typically assigned qualitatively distinct and substantially greater but more general powers in relation to concrete activity.

Table 1: The hierarchy of purposes indicating the transformation of values into action, and some relevant properties (modified from [19]). The nature and duties of the associated social form (or compartment) is the focus of the present paper. : = Level Number.

L	Label	Value-Action Position	Definition	Key Groupings		Associated Social Form
5	Banner goal	Value consensus beyond any defined organization	Specifies an actualizable value (i.e. a concrete good)	Levels of stability	Levels of	Wider society
4	Mission	Value consensus within an organization	Specifies the basic identity of an organisation			Constituting body
3	Political aim	Value/value conflict within the organization	Specifies foci and degree of emphasis	Levels of ongoing choice and change	orientation	Governing body
2	Strategic objective	Value/action conflict within the organization	Specifies a feasible direction		Levels of	Top officer body
1	Tactical objective	Action/action conflict within the organization	Specifies finite results to be achieved by a time deadline.		implementation	Execulant body

In sum, the theory postulates that the goal(s) of any given individual or social system, however complex or simple, can be usefully understood and articulated by differentiation into five levels named as follows: banner goals (L-5), mission (L-4), political aims (L-3), strategic objectives (L-2), tactical objectives (L-1). Before proceeding, a brief description of each of these forms of purpose is provided below.

L-5: *Banner goals* are purposes which express specific actualisable values. The typical format is 'we all believe in and want to . . . X . . . '. Banner goals (*syn.** ideals, philosophy, needs, values, fundamental objectives) socially legitimise and justify laws, institutions, and organisations but are not tied to any particular one. For example,

* The synonyms noted report findings in the field and in the literature, whether or not they are appropriate.

banner goals of local government might include 'to meet children's needs' and 'to foster independence and self-help', but these are also banner goals of other bodies like publishing firms or health services, as well as parents. Banner goals express personal and social needs. So they provide for consensus on values across organisational boundaries.

L-4: When people want to translate their values into action, they find that banner goals are not sufficiently closely defined to limit or direct their activities. The next step, therefore, is to set a *mission* to define the basic identity and boundaries of their project and hence the main activities and people involved. The format here is: 'This project/agency/department etc is set up to . . . X . . . '. In other words, a mission (*syn.* general aims, object, primary task, function, service, brief, mandate, terms of reference) is the purpose which serves as the *raison d'être* for the organisation. The mission ensures that all activity is sufficiently organised, boosts specific motivation for the endeavour, and stablises the organisation by providing for an internal consensus on values.

L-3; However, there are never enough time, energy, people or money to pursue all the implications of the mission. It is therefore necessary to specify *political aims* which lay down foci of emphasis and, if possible, also indicate the amount of emphasis to be given. The political aim (*syn.* priority, emphasis, criterion, policy) is a value statement which leads and orients effort in an outer world of impinging problems and attractive possibilities. This aim is an inherently controversial value choice amongst equally valid alternatives. The format here is: 'The important thing is to emphasise/improve/ concentrate on/reduce/prefer . . . X . . . (rather than Y)'. The amount of emphasis (or priority) desired is relevant, because allocation of resources should reflect this. In other words, some explicit or implicit qualification and concretisation of value is required.

L-2: Focus and emphasis generate change but in no particular direction. *Strategic objectives* (*syn.* direction, option, strategy, policy) are also needed to orient executive activities in the situation. These define the relevant world and provide for a feasible course of action which can maximise impact in support of given political aims. The inherent conflict here is between the pressure of values and the needs of action. This is the level at which implementation commences, so strategic objectives are elaborated with sub-objectives to form strategies. Progress is judged on a broadly defined time-scale. The format here is: 'The situation/need/problem/opportunity as we see it is . . . X . . , and over the coming Y months/year(s) we need to . . . Z . . . '. Such objectives are the basis for assessing actual achievement.

L-1: For a well-designed strategy to succeed, it is necessary to specify many lower level objectives which indicate finite results to be achieved within finite periods of time. The format is simple: ' . . . X . . . is to be done by . . . Y . . . ' These *tactical objectives* (*syn.* operational objectives, task objectives, targets, results, activities) and the associated tasks must adapt to the exigencies and circumstances of implementation. They may be specified and quantified further in a variety of relevant ways, including sub-objectives, schedules, methods, or personnel. Conflict potentially exists between different courses of action to achieve the same result. Tactical objectives, being at the sharp end of implementation, are ideal for progressing, monitoring and evaluating work in detail.

The framework of purpose is therefore rooted in the idea that values drive action (consciously or unconsciously), and that the pursuit of aspirations and meeting of needs (L-5) requires organised activity (L-4). In other words, the framework provides an explicit logical place for organisation. Organised activity may be regarded as an organisation when the enterprise is of a scale to require explicit statements of aim and explicit differentiation of work into different kinds and different levels of responsibility. If the enterprise is large enough, explicit assignment of work to different individuals is needed. If organisation endures beyond changes of individuals, it is an institution. Such institutions are the present concern, because their creation automatically leads to a variety of socially-recognised compartments and to distinct definable duties for people within these.

The analysis above reveals two levels of consensus on aims: L-5 banner goals beyond the confines of the organisation, and the L-4 mission within the organisation. These are followed by three levels of change and conflict: between different values at L-3 (political aims), between value and action at L-2 (strategic objectives), and between different actions at L-1 (tactical objectives). The design of suitable arrangements is based, above all, on recognising and developing the essential consensus, and accepting and resolving inevitable conflicts.

The need for clear differentiation of compartments and specification of duties

The practical stimulus to the theoretical analyses within this paper was the seriously unsatisfactory situation in the governance of public sector agencies in the United Kingdom. Those involved were elected councillors in local government and appointees on Health Authorities. A sorry picture emerged of people meaning well but floundering hopelessly [20,23]. By their own account, the governing members behaved idiosyncratically and criticised one other scathingly. They complained of "not doing a real job" of "rubber-stamping decisions", of being "under-informed and over-burdened with paperwork", and of "manipulation by officers". Their committees and working groups proliferated beyond time availability; agendas became interminable and unfocused; debate became chaotic and abusive, or was suppressed entirely; arrangements became unfair; and the public was at times treated with contempt. Top officers, for their part, saw those on governing bodies as irrelevant, as another burden, as unable to decide, as excessively dogmatic, as unnecessarily political, and as not appreciating real-world complexities. They felt intruded upon and interfered with, and believed their efforts and expertise were ignored.

Despite the agencies' responsibility for controlling billions of pounds and millions of employees, there is no clear account of exactly what the governing Authorities themselves should be doing. Official directives use vague phrases like "responsible for services" [8], or "setting the main objectives" [34]. To add to the confusion, much training seems to prepare governing body members to be quasi-executives. The academic literature documents the state of affairs, but offers little to aid to its resolution (e.g. see review by Martlew [33]).

Much confusion and waste of time observed during fieldwork stemmed from lack of clarity about the absolute need for the compartmentalisation of organisations. So, in the absence of usable job specifications, people either created their own roles which were often inappropriate to the compartment and led to the neglect of necessary tasks, or fell back on pursuing their own interests. As a result joint work between compartments became difficult or impossible, and the energies of many capable individuals were drained away by distrust and futile disputes over decision territory.

Those responsible within the various compartments were typically found to be unable to focus on their own core function or make sense of documents purporting to define their duties. Sometimes they acted in ways at variance with their own needs or wishes: for example, Authority members would allow officers to set and control agendas at governance meetings. Frequently doubts existed about the rationale of neighbouring compartments: for example the Institute of Health Service Management Working Party [15] futilely recommended abolition of the governing body for the Regional organisation of the NHS. There was widespread lack of recognition that *authoritative* articulation of purpose at each level is essential and proper: for example, councillors seemed to believe that the national government was acting illegitimately in determining their role and many committed their time and public money to confrontations that were inevitably lost.

When one compartment functions poorly the others attempt to compensate, and slowly a system of apparently irresolvable interlinked problems evolves — termed a "mess" by Ackoff [1]. Goodwill and changes in attitudes are typically expected to solve the mess. However, genuine dialogue and action in and between adjacent compartments is necessary for real resolution. This is impossible if the respective duties are not clear, understood and mutually agreed by all involved. We concluded that incoherence or incompetence in the

system of compartments can damage and even paralyse organisations.

To make matters more complicated, individuals are commonly expected to function within more than one compartment, as well as being part of wider society. Examples can be found in large businesses where staff are offered inducements to become shareholders; in small private businesses where the people who set the firm up may also run it; and in voluntary associations, where members are encouraged to be active on committees, and even to work as volunteers alongside paid staff.

Unambiguous identification of the different compartments and appropriate specification of duties for each compartment will not guarantee effectiveness, but such clarity is an essential prerequisite. It is self-evident that without clarity and proper specification, the individuals involved in a compartment will become confused, and be unable to design or operate their own structures, procedures and conventions satisfactorily.

The schema which is to be outlined here has made it possible to resolve many of the problems noted above leaving all protagonists feeling that they know what to do and why, and experiencing their own position and power as significantly enhanced. In presenting the model, the first task is to clarify the differentiation of compartments in terms of work and capability required.

The Different Compartments

As noted earlier, analyses and applications using this framework on whole organisations revealed that decision about purposes at each level demanded complex and specialised work. It became evident that responsibility for its performance was assigned to special quasi-autonomous social structures, the compartments of organisations as recognised by legislation. Fieldwork revealed that people operating each compartment required distinctive personal capabilities and skills if the work was to be done well. The specialised work at each level, the compartment, and the capability demanded of those involved will now be examined, level by level.

At L-5 is the activity of fixing and articulating specific values to be pursued. These banner goals arise in *wider society* in a complex process involving concerned individuals and groups of many different kinds. Wider society is that context which is relevant to an endeavour. An organisation's survival depends crucially upon seeking accommodation with existing societal values and on obtaining resources (such as money, space, attention, participants) from the societal environment. All involved with an organisation are simultaneously part of this wider society, and the relevant personal capability is inner awareness and attunement to values and value trends in the societal context. From the point of view of the pursuit of (given) banner goals, the corresponding social form can be described as proto-organisational: it includes groupings such as people with a common concern, or organisations interested in a particular initiative. Participants in such groups come together, spontaneously or deliberately, on the basis of a shared aim which may be transient or long-standing, but they are not yet bound to commit themselves or their resources to the group and to action.

A L-4 is the work of setting up and maintaining a project or organisation: the constituting function. Those specific individuals (or organisations) who commit themselves jointly to the mission and might be said to own or possess the endeavour may be referred to as the *constituting body. Constitutive duties* refer to the requirement to secure a continuing existence and identity for the organisation, including a specific responsibility to resource any executive work or structures created by it. To be successful, the constituting body must contain people who are imbued with the drive to promote certain values actively and systematically, and who benefit directly from the existence of the enterprise. Constituting bodies are of various types: for example, the *membership* of voluntary associations, the *shareholders* of commercial firms, and the *government and legislature* in regard to statutory public authorities.

At L-3 is the work of deciding main political issues and priorities. This is the essence of *governance*, whose duties concern orienting and controlling the overall operation of the organisation to meet the aspirations of the constituting body and its members. The social

form is the *governing body* (or in less formal settings, a *steering group*). Often referred to as a *board* or *council* or *authority* or *committee*, it is the small group of *governors* (or trustees or councillors or directors) who must act corporately. Governors are drawn from the constituting body, but may include outsiders with relevant credentials. Governance mediates, interprets, and promotes the wishes of the constituting body, so as to realise the mission within the resources available and in the light of pressures from the social and physical environment. The skills of leadership involved are primarily political. Here, missionary or ideological zeal requires to be tempered pragmatically in the light of irremovable environmental factors and major conflicts of interest amongst stakeholders.

At L-2 is the work of deciding a feasible direction for action. Both the complexity and uncertainty of the outer world and the value preferences of the governing body must be taken into account. This is the special feature of *top officer work. Top officer bodies* include two roles. The first, often termed the *secretary* (e.g. company secretary, permanent secretary) is designed to assist the governing body in performing governance. In business, this role is commonly taken by the top finance officer. The other role, that of *chief executive* (also called general manager, managing director or director-general) is designed to control executive work and head up the executants within the organisation. Sometimes a few key senior staff are specifically designated top officers by the governing body and formed into a *top management team*. Top officers need political sensitivity, an ability to weigh up and synthesise multiple factors intuitively, and the capacity to mobilise and direct the full range of human financial and physical resources within the organisation.

At L-1 is the work of deciding and carrying out specific projects and tasks. This may be described as *executant work* and results in the use of resources to produce concrete changes in the external world by a given deadline. The *executant body*, as here defined, includes all staff working within the organisation, executives or managers, and workforce. Top officers are also executants, and so invariably have two roles (like members of constituting bodies who serve on governing bodies). Executants, like top officers, are requisitely individually, not corporately, accountable. They typically have specialised skills, knowledge and experience which are the basis of their employment contract. Their calibre relates to their ability to handle complexity and so cope with tasks of lesser or greater scale.

The proposed arrangements using the framework may be briefly summarised as follows. The activities generated by the creation and sustenance of an organisation have an external element associated with banner goals (L-5) — ensuring that the organisation can thrive within its social environment — and an internal element associated with the remaining purposes (L-4 to L-1) — ensuring that it operates properly. The internal element comprises activities of overviewing and orienting operation which depend on the mission (L-4) as focused by political aims (L-3); and activities of actual operation which depend on tactical objectives (L-1) given direction by strategic objectives (L-2).*

The conjunction of orienting and implementing work just noted may be expressed structurally as follows: the governing body is the specialised leading part of the constituting body, while top officers are the specialised leading part of the executant body. Proper interaction of the two leading compartments, each driving and focusing in its own way, is inevitably of the greatest importance for organisational integrity and effectiveness.

Irrespective of how or whether the organisation is designed, it is evident that the work of each compartment is essential. If not explicitly provided for, such work will be carried out somewhere — otherwise the organisation collapses. Design is preferable to chance, but this requires that specifications be sufficiently detailed and meaningful to those involved in each compartment. The primary design criteria include: promoting synergistic interaction between compartments, aiding the translation of values into action, and handling conflicts inherent in endeavour. In the next section, the logic of specification to meet these criteria will be overviewed and the duties for each compartment examined.

* Individuals may be regarded as outsiders or insiders in relation to organisations, but this division does not follow the division of activities: insiders usually include governors (L-3), top officers (L-2) and executants (L-1); while those solely contributing within the constituting body (L-4) are regarded as outsiders, as is everyone within wider society (L-5).

The duties of each compartment

Overview. In specifying the duties of compartments, it is natural to start from the origin of each in a particular level. As originally suggested, each compartment has the unique responsibility to *set* or determine purposes at that level [19]. Each should also check that the specified purposes have been effectively pursued. However, an organisation is a system and requires that its compartments work together in an integrated way. This means that purposes set at every level of the hierarchy must mesh together coherently. *For this to occur, each compartment must have some duties and influence in relation to purposes set at other levels.* The levels framework is therefore essential for coherently specifying duties and clarifying the kind and degree of influence on purposes of the different sorts.

Our research suggests that this is indeed the case. Key people in organisations repeatedly emphasise that some formal influence or authority in relation to purposes at levels other than those at which they are situated is important and necessary. But this influence is invariably less definitive than *to set* the purpose. A pattern emerged in the research in which any purpose *set* by one compartment needed to be progressively handled by higher and lower compartments as follows.

Moving down the compartments: the purpose which has been *set* by the key compartment should be *pursued* by the compartment below, then *observed* (or upheld) by the compartment below that, then *identified with* by the compartment below that, and finally *acted on* by the most distant compartment. Moving up the compartments, the purpose which has been *set* by the key compartment, should be scrutinised and *sanctioned* (i.e. approved or rejected) by the compartment above, then *owned* (or disowned and vetoed) by the compartment above that, and then *reacted to* by the most distant compartment. This rather simple terminology seems to catch the flavour of the requisite influence of the compartments. When each responsibility, stated in this way, is elaborated further in a few key tasks of immediate relevance, the formulations have proved readily understandable and usable by the people involved.

A summary of these findings is presented in matrix form in Table 2. Here the rows are the levels of purpose themselves and the columns are the compartments corresponding to those levels. The cells of the matrix contain the above verbal terms which indicate in a broad fashion the extent of influence by that compartment over purposes at that level. The principal diagonal, therefore, is characterised by *set*, and the other forms of influence fall on parallel diagonals. This pattern is the basis for developing synergy, resolving conflicts of value, and ensuring choices are ethical.

TABLE 2: Matrix summary of the pattern of responsibility for purposes at each level for each of the main compartments of an organisation. Wider society is the context, and cannot be assigned responsibilities in the same way: 'set' and 'sanction' are therefore placed in brackets. Top officers and executants are individually accountable for duties, hence the term 'body' has been removed. For further details and explanation see text.

L	Form of Purpose	Wider Society Societal function	Constituting Body Constitutive Duties	Governing Body Governance Duties	Top Officers Top Officer Duties	Executants Executant Duties
5	Banner goal	(Set)	Pursue	Observe	Identify with	Act on
4	Mission	(Sanction)	Set	Pursue	Observe	Identify with
3	Political aim	-	Sanction	Set	Pursue	Observe
2	Strategic objective	-	Own	Sanction	Set	Pursue
1	Tactical objective	-	React to	Own	Sanction	Set

The principal characteristics and general duties of each compartment can now be examined. (For more concrete details see the Appendix.) All formulations are to be regarded as hypotheses based on investigations in the field. Results are therefore more extensive in some areas than others, and are modifiable by future design-oriented research. Although it is conjectured that compartments in all organisations are fundamentally similar, variation in the details have been found according to the type of organisation, particularly in the constituting body. The three broad types of organisation to be examined here are: voluntary or non-profit associations, commercial firms or companies, and statutory authorities or public agencies. There are many other organisations including churches, universities, quangos, government, and international bodies to which the analysis also applies, but these are too varied and complicated to be examined here.

The Functions of Wider Society

Wider society here refers to the organisation's context and the source of its values (i.e. banner goals) and resources. It is inherently diffusely bounded, but potentially extends to the whole citizenry and even beyond. Different elements of wider society vary in their relevance and hence influence upon a particular organisation, so there is usually a focus on certain people and institutions. For example, a particular trade union might focus mainly on those who are potential members, other trade unions, and other individuals and organisations broadly supportive of the trade union movement.

The way any society, its members, groupings and institutions develop values and mediate their pursuit is a complex topic beyond the scope of this paper [25]. Here the concern is on wider society as a context for specific ongoing endeavour. The function of wider society in this regard appears to be, above all, developing and setting the banner goals (L-5) within which endeavours may be pursued. Setting is, perhaps, too definite a term, because what the banner goals are, is not always clear from the variety of shifting and conflicting opinions, assertions, complaints, activities and judicial decisions generated within the relevant society. However, when a basic value of the wider society is violated by an organisation, serious consequences follow sooner or later.

A second function of wider society (from the present perspective) is to sanction the mission (L-4) of any enterprise in an indirect and implicit way. This may be expressed in acts of recognition (such as acceptance of advertisements by the news media) or disapproval (such as boycotts), and by individuals directly transacting with or joining the organisation. The requirement of companies in the U.K. to register their aims and objects and to submit audited accounts annually is a form of oversight and legitimation of the mission.

Wider society knows relatively little of what goes on inside most organisations, and has no direct access *as of right* to the setting of internal political aims, strategic or tactical objectives. (In public agencies, the public has rights, but only because it is indirectly part of the constituting body — see below). In the absence of access and formal power, the wider societal context still requires some basic protection against abuse from monopolistic strategies, hidden harmful side-effects of activities, and collective disbenefits that could flow from the policies of an organisation. Furthermore, although it is incumbent upon people to be concerned with the values and activities of organisations which affect them directly or indirectly, this cannot be left totally to activists and chance. Special institutions are therefore required to determine what constitutes the common good and to promote it. Within a country, this leads to the need for *government*.

Put another way: because organisation can multiply the power of a person to an extraordinary degree, a legislated regulatory framework is essential for the protection of individuals and the community. Although organisations have a duty to act within such regulations and according to the laws and constitution of their country, and may be encouraged or may expect to promote the common good, their prime responsibility is to the mission as defined by the constituting body. It is not appropriate, even were it possible, for any organisation, even government itself, to be fully responsible for the whole of society.

Government, via elected representatives and an executive bureaucracy, is expected to clarify and pursue the banner goals of society in a variety of ways, but particularly by setting and enforcing laws and regulations and determining the missions of certain institutions which control basic standards and which provide essential services. (Elected representatives do at times support or criticise the lower level purposes of private sector bodies, but justification for this is based in the defence of banner goals or the cultural value system, and not in promoting the effective pursuit of the organisation's mission.)

Constitutive Duties

In clarifying constitutive duties, differences between the main types of organisation emerge sharply. The membership of voluntary associations is characterised by maximum personal involvement of each member who may be expected to contribute to purposes at all levels. Commercial firms lie at the other extreme with the vast majority of shareholders having a minimum involvement and concerned with just one thing — profit. For statutory public agencies, the citizenry uses elected representatives in the legislature to serve as the constituting body. Because the constituting body is then accountable to the community, citizens need to make a significant contribution to constitutive work.

The focus of constitutive work in all cases is (as the title implies) *setting a particular mission*, which involves both bringing the organisation into existence and also ensuring its continuance, particularly its resourcing. Implicit, however, is a further duty to clarify and *pursue the banner goals* which gave rise to that mission. In relation to lower-level purposes, the constituting body is expected *to sanction political aims, to own the strategic objectives* and *to react to tactical objectives*.

The situation is most complex in public agencies because of the involvement of the public. The legislature clarifies the dominant values held by the public and on this basis defines within legislation the mission, main structures and mode of resourcing. However, the public contributes crucially by voting in the legislators and paying the taxes and charges which resource the service. Appointment to governing bodies is determined by statute. It may be by election, or nomination. Where nomination is controlled by government, there may be places reserved for people assigned on a representative basis (e.g. from unions, professions, or universities). The flow of political aims requires sanctioning by the legislature, and the main strategic objectives must be primarily owned by the government. In the NHS, for example, new priorities and strategic plans are scrutinised by a select committee of Members of Parliament (MPs), and their report is debated and may be voted on in parliament. However, citizens should also be involved in overseeing and legitimising such changes and should participate constructively in consultative procedures. The public needs to keep itself aware and therefore requires right of access to governing body meetings or to records of the debates. The news media have a key informing and campaigning role here. People should discuss developments within local interest or pressure groups so they may effectively lobby or support or criticise strategies. Tactical objectives frequently generate intense reactions: for example the local community may protest and lead its MP to query closure of a small obsolete NHS hospital, although this is within an agreed strategy.

In voluntary associations the membership is strongly invested in certain ideals and values, and determines the constitution to realise these in a particular way. Members are also actively encouraged to accept governance duties. Under the guidance of the governing body, all members are expected to become involved in exploring controversial issues, and in scrutinising and sanctioning political aims. Typically, members have a strong sense of ownership of strategic objectives, and may exert a veto on governing body decisions or insist on a referendum. In addition, members often deliberately involve themselves in executant work, inquiring about and reacting to tactical objectives with great intensity.

In commercial firms control is more firmly in the hands of the governing board of directors because the shareholders' banner goal is principally the production of profit. The growth of stock exchanges and the emergence of large institutional investors has led to loss of the recognition that certain ownership responsibilities are required for capitalism to be successful [10]. A speculative mentality produces an inappropriate short-term

perspective and leads to excessive fluctuations in share price which weakens a firm's financial control. The annual general meeting is the focus for exerting constitutive rights and duties. However, shareholders have a weak grip in practice even on such matters as who the directors should be and what remuneration is appropriate for them. Nevertheless, political issues may be debated and the firm's strategic approach to, say, ethical investments or environmental pollution scrutinised. Inappropriate attempts by boards of directors to block or weaken shareholder control has led to the formation of 'shareholder associations' as a countervailing force.

Payoff Level. The constituting body of the organisation keeps it functioning in the hope of benefit for its members. The *payoff level* is the level of purpose where the prime benefit is expected. If the payoff occurs here, then the desire of most of the constituting members is satisfied. If there is no payoff at this level, then other benefits may not be enough to keep their support. The payoff level varies with the type of organisation.

Shareholders in *commercial firms* aim to benefit primarily by sharing in the profitability of the organisation. Their benefit depends largely on decisions of the governing board and its control of share issues, dividends, stock-market valuation and suchlike, i.e. payoff at L-3. In *public agencies*, a legislature expects to see the general development of services (health, fire, police, army, welfare, schools etc.) from which members of the public may benefit at some time, i.e. payoff at L-2. *Voluntary associations* show the greatest variety in level of payoff. For example, members of many religious organisations and political parties are gratified simply by seeing their value systems proclaimed (L-6); members of professional associations expect to secure their personal identity and social role (L-4); members of pressure groups look for general changes in society in relation to a cause of concern to them (L-2); members of self-help groups join to benefit from specific activities in which they participate (L-1).

Governance Duties

The quality of governance in both business and non-profit organisations is notoriously poor [3, 38]. On the one hand, society is aware of the need for governance. On the other hand, in no other compartment are people either so confused about what is expected of them, or so unable to adhere to their role.

Careful study reveals that *governance duties* in all organisations are basically similar. Governing bodies are primarily there to *set political aims*. They must handle crucial controversies consequent on their central role in the 'authoritative allocation of values' and resources [9]. The pressures from the multiplicity of stakeholders — constituting members, staff, creditors, government, the community, suppliers and others — must be balanced and a way forward found in the face of uncertainty. In such decisions, group discussion and resolution with the convention of collective responsibility appears desirable. Governing bodies therefore depend ultimately on voting for decision, although they frequently attempt to operate by consensus or by deferring to the chair.

As well as gripping its prime task, that of *setting political aims*, the governing body must consider purposes at other levels. It must *observe the banner goals* of the various stakeholders by proclaiming these in public and by ensuring that any excessive, that is to say potentially scandalous or unwise, breach of such values is promptly dealt with. (A breach is invariably based on a social judgement of the meaning of facts, not on the facts themselves.) The governing body must also *pursue the mission* by clarifying and interpreting its nature, appointing the top officers, agreeing on the main executive structures, reviewing executive performance and resources overall, and proposing changes to it for decision by the constituting body. The governing body should *sanction strategic objectives* and scrutinise detailed strategies developed in the light of its main priorities or substantive political aims. This is often problematic in public agencies and voluntary associations because it requires joint work with one or more top officers who are frequently excluded from membership of the governing body. Detailed involvement of governors in executant matters, though frequent in practice, is neither logical (according to the model), nor in practice particularly effective in terms of time expended and results

achieved. Nevertheless, the governing body must *own all tactical objectives* set by the staff and accept responsibility for the consequences. On occasion this may lead to the governing body vetoing a tactical objective as unacceptable.

The amount of work involved in governance is considerable. Unless it is appropriately and effectively structured, prioritised, programmed and monitored, governors rapidly become overwhelmed and ineffective. A potential drain on time and energy stems from conflict with the constituting body. This seems to occur repeatedly in public agencies, especially where the governing body is a government at a lower tier.

Although governance *duties* are similar in all organisations, governance *structures and procedures* — such as hierarchical tiers, member composition, duration of office, powers of delegation, committee structures, standing orders — are not. Legislation embodying accumulated wisdom commonly specifies baseline structural and procedural requirements for governing bodies, but the constituting body typically needs to determine certain crucial matters itself, and the governing body needs to elaborate further, detailing arrangements as far as is required. These specific arrangements for performance of governance need to be designed in accord with the particular mission and needs of the organisation and those involved.

Organisations vary greatly, and consequently much variation in the detail of governance is to be found. It appears that voluntary associations are marked by the greatest variation and complexity, associated with the desire to maximise involvement of members and enable them to bring their values to bear on the full range of their concerns. Careful organisational analysis is needed to clarify suitable structural forms, the appropriate assignation of the various governance duties within the structure, the appropriate composition of members and (often) non-members with relevant interests or expertise or influence, and needed procedures and conventions.

Top Officer Duties

As noted earlier, a top officer always carries duties as the most senior executant as well as the duties (now to be described) which are unique to their special status. Failure to distinguish and accept both these responsibilities in full is common. For example, our research has revealed many top officers in local government who largely ignore their senior executant role, and many top officers in the NHS who positively deny their top officer role.

There is no essential difference between top officer duties in any of the three varieties of organisation. In each variety, the location of such work is commonly disputed or not clear. In many firms it may be difficult to determine whether top officer work is expected of the chairman of the board or of the so-called chief executive officer (or both). In some voluntary associations, the chairman of the governing body almost completely takes over the top officer role. In other cases, the most senior executives have become more identified with the founding ideals than the governors and members who constitute the association, and have then sought to usurp constitutional and governing rights. In public services, where top officers are typically excluded from membership of the governing body, boards and top officers frequently come into conflict over their respective roles (as noted earlier). In the NHS, ministers of state have in recent years oscillated in and out of the top officer role. Whatever the difficulties and inherent conflicts in the governing/executing interface, and they are many and various, their resolution must start from a clear and feasible specification for top officer work that meshes with that for governance.

Top officers, aided and sanctioned by their governing board, should, above all, be expected to *set strategic objectives* and work out detailed feasible strategies which they and other executants can implement. The aim here is for the organisation to move in an unambiguous direction and in a way which makes the maximum of impact. On behalf of the governing body, top officers (directly and via delegation to subordinate managers) should scrutinise and *sanction the tactical objectives* which flow from strategies and keep the governors in touch with progress and costs. Looking upwards, top officers must put time and effort into *pursuing the political aims* set by the governing body. They should help governors both by ensuring that strategies align with the governing body's wishes,

and also by raising and clarifying possible controversial issues and new potential priorities or foci for strategy development.

Top officers have a duty to *observe the mission* as set by the constituting body and interpreted by the governing body. Proclamation of the mission is generally recognised as an important aspect of executive leadership. In addition, top officers enable the governing body to pursue the mission by checking that resources are being fully mobilised to this end, and ensuring that all required activities, and nothing *ultra vires*, are being pursued. Importantly, top officers should accept the constituting body's ideals without question. They need to *identify fully with the banner goals* as upheld by the governing body in order to develop a suitable culture among the executant body, and to ensure that wider society is handled naturally and appropriately. If such identification is not possible, resignation is necessary.

Executant Duties

Task creation and completion is only one step, albeit the final step, in the conversion of banner goals into action. Yet people employed to carry out or execute specific tasks to specific deadlines, here called the executants, have become mistakenly synonymous with organisation. In fact, task activities cannot logically exist on their own. They must derive their immediate rationale from the priorities (L-3) and strategies (L-2) which specify what the organisation actually hopes to achieve in the world. It is the executants, and only they, who can *set realistic time-targeted tactical objectives*.

The proper duties of executants have been extensively investigated by many (see reviews in Mintzberg [35], Morgan [37]), including the author [29, 30] and comment here is kept to the minimum. However, it is useful to recognise that the present model highlights their responsibilities in a distinctive way. As well as handling assigned tasks, executants (except possibly those at the lowest level) should set tactical objectives *spontaneously* as generally required by their post. Because any post is a subdivision of the mission, an executant must *identify with* the mission of the organisation to be effective in this regard. (If identification is not possible, the executant should resign or be dismissed.) Tasks performed should be oriented by the need to *pursue strategic objectives* and strategies as developed in top management teams. Executants should also be expected to *observe the political aims* and main priorities of their governing body, applying them as opportunity allows. Most importantly, the concrete results produced by executants should ultimately embody or conretise the banner goals which generated the enterprise. Although a spontaneous conscious focus by executants on values is characteristically weak, executants may be expected, wherever possible, to *act on banner goals* as genuinely affirmed by top officers.

The emphasis in executant work in this model is on producing results while adapting as well as possible to the exigencies of time and circumstance. Efforts are therefore put into progressively reducing ambiguity, conflict and uncertainty. Systematic analysis and detailed information-gathering are generally advocated to specify in detail roles, accountability relationships, methods, personnel, schedules, markets and suchlike. However, non-systematic approaches to decision and action are also acceptable as long as they produce the desired results [26].

Implications

The compartments of organisations and their duties have now been described using the levels of purpose framework as a basis. The main practical implication of the analysis is to show that logical and precise specifications of duties are possible in all compartments: even within governing and top officer bodies, which are often considered virtually uamenable to design. Indeed, these two compartments are shown to be of the greatest importance in ensuring organisational coherence and proper embeddedness within wider society.

Most research effort has gone into the design of executant structures and systems, but

the model brings out the necessity to attend to the work of constituting bodies, governing bodies, and top officers as well. A need for more study of specialised structures and procedures to aid joint work between the compartments also becomes apparent.

Before concluding, some general points deserve brief consideration. These concern how to apply the model, the need for re-design, evaluating organisational effectiveness, the need for education, and irrationality within organisations.

Application. It is important to reiterate that the analysis is not suitable for cookbook-style application. It needs to be used with a sensitive appreciation for the type of organisation or compartment, and adapted to local social realities. The consultative and collaborative approach used to develop the model needs to be used when applying it.

Redesign. It must be realised that specification of duties, and particularly structures and processes for their performance, is not a once-and-for-all activity. Compartments require to be designed and redesigned in accord with circumstances — environmental change, organisational growth, altered services, new legislation, different personnel, cultural shifts. It is axiomatic that this redesign needs to derive from the basic duties to be performed, however much influenced by pragmatic considerations.

Evaluation. The analysis also indicates a way forward in assessing that elusive variable, organisational effectiveness. If effectiveness is the successful achievement of goals, then no less than five levels of effectiveness must be considered. Programmes need to be judged in the light of banner goals, the stated mission, political aims, and strategic objectives, as well as in terms of the performance of specifically set tasks. Furthermore, the model suggests that *each compartment requires its own evaluation* in the light of its own distinctive duties. Compartments differ sharply, so effectiveness of one may contribute to ineffectiveness of another. For example, participation in executant work by a member of an association may be judged unequivocally worthwhile by the constituting body, even if achievement is inefficient by executant criteria.

Education. Structures, however well-designed, will not operate properly unless the individuals involved understand what is required. Currently, management education is highly focused on executant work, while education for the other compartments is rudimentary or non-existent, if not positively misleading. The model not only offers a basis for practical training, but also increases the likelihood of attracting and retaining suitable people. Education about the compartments might start early, preferably as soon as the child can read.

Irrationality. Objections may be raised that organisational life is characterised, above all, by irrationality and tensions which seem to be missing in the model. However, the framework assumes and includes conflict within it, and sees much irrationality as reflecting the natural diversity of values. Irrationality may also be explained, and to some degree handled, by a further more detailed application of the framework, as follows.

Take, for example, the executant system of an organisation. This is characterised by hierarchical and horizontal subdivisions which are themselves quasi- or mini-organisations, as indeed are their smallest elements, roles. By definition, all these require their own hierarchies of purposes. The relevant *political aims* and *strategic objectives* for a role or sub-organisation may be those set or agreed by the governing body (the convention in this paper) or those set by a superior executive. However, in all cases, decisions on these in practice will be influenced by the professional and personal banner goals and missions of individual executants. Hence purposes set by such staff, often left unformalised, will generally vary the direction laid down explicitly by higher managers or by the governing body.

CONCLUSION   The paper offers a general theoretical approach to organisations and a systemic model for their operation based in the centrality of values and their effective pursuit. This underlying framework is not culturally or societally bounded, but rests on assumptions rooted in the intentional nature of human endeavour. By using the framework, an explanation for organising and organisation has been provided. Furthermore, the context and main compartments of organisations have been unambiguously differentiated and defined; a set of specifications for the duties of each compartment has been explicated in simple language; and the way that these duties interrelate and logically promote conflict resolution and synergistic interaction amongst the compartments has been clarified. It can therefore be reasonably claimed that the model meets the proposed design criteria.

The validity of the proposed model needs to be considered from two perspectives. Correctness (or otherwise) of the specifications of duties should be examined separately from the validity of the framework within which they have been analysed. The iterative cycle of formulation, testing and critical refinement of duties is by no means complete. But the propositions in the model are sufficiently detailed, precise and coherent to enable others to test it by systemic design consultations, critical analysis and empirical research.

The model, however, depends on the validity of the levels-of-purpose framework: that is to say, how consistent, coherent, complete and precise the formulations of purpose are, and how suitable it is to apply the framework to the organisational domain. Subject to meeting that test, the model as a whole is a scientific product that enables rather than controls. It orients people and focuses their attention on key responsibilities, while leaving them largely free to decide for themselves what organisations they want, what actual purposes should be pursued, and exactly how to structure and operate each compartment.

Acknowledgement

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APPENDIX

The different duties and activities in more detail

The appropriate activities of the four organisational compartments described in the text (constituting bodies, governing bodies, top officers, and executants) are now examined in more detail for the three main categories of organisation under review in the paper: public agencies, voluntary associations, and commercial firms. (The functions of wider society and the roles of citizens and government in general are too diverse to be further elaborated upon.) The aim here is to illustrate the logic and demonstrate the model in a more concrete way to facilitate further research and to support those who wish to use it. In each case, the duties and activities will be described by moving systematically down the levels-of-purpose framework. No attempt is made to specify every possible task or to cover legalities and other situational issues, as might be required in practice.

Constitutive Duties

Differences in the constituting compartment are the primary basis for the previously noted classification of organisations into public agencies, commercial firms and voluntary associations. Detailed proposals for the duties of members in relation to the three sub-groups of organisations will now be examined in turn. In doing so, common principles will be emphasised and details of legislative requirements which vary from country to country will be ignored.

Public Agencies. In relation to public agencies, it is the government which acts as the constituting body. (The contributory role of the public noted in the text will not be further detailed.) The expectation of the constituting body to *pursue banner goals* of the service provided by an agency is carried out by holding public inquiries or setting up special commissions, by receiving and listening to representations from individuals and groups with an interest in the service, by passing legislation which sets minimum standards, and by creating organisations or posts to monitor standards or pursue breaches of proper behaviour. However, the prime task of the government in this area is that of *setting the mission* of necessary public authorities. The constitution of these public bodies is defined by legislation introduced by the government. This sets up the agency, defines the services and their boundaries, provides for a representative to head up governance, provides certain other details of governance, and specifies a method of financing. The mission is resourced through taxes invariably, and sometimes also by charges.

The government as constituting body *sanctions political aims* set for public services. Controversial decisions in public agencies typically need to be raised and debated within the legislature, often following or as part of scrutiny by a special committee of legislators. The government must then *own all strategic objectives* (or veto them) and legislators may comment on the trend implied in particular current decisions or actions. Debating and voting in response to censure motions is not uncommon. To assist this process, the relevant civil service department may produce reviews and assessments. The government or members of the legislature may *react to tactical objectives* of an agency which come to light, and then insist on a general debate.

Voluntary Associations. The constituting body of a voluntary association is its membership. The general duties and associated tasks of membership of voluntary associations often allows for deep involvement. Typically, such an organisation comes into being by a founding group of members who propose a mission (the 'aims and objects') which embodies particular banner goals or ideals which are already set in their minds. In some cases, virtually no-one outside the members has any interest in the mission or the essential ideals. The formal constitution covers such matters as the scope of the mission, governance arrangements, financial powers, rules for altering the constitution, obligations on members, and dissolution procedures.

Members in such associations are expected to *pursue the banner goals* by remaining personally sensitive to the founding vision, and concerning themselves with its ongoing realisation. If the ideals and values of the organisation are not actualised, members need to speak up or, at the extreme, leave the organisation or arrange jointly for its dissolution. Commonly members seek wider understanding and support for their ideals. Members have a responsibility to *set the mission* and so to resource it. At a minimum they must elect members to a governing body and set the membership dues. However, the expectation on members to provide time, attention, energy and money in support of the organisation's vitality and growth is usually considerably more demanding. Members may be actively pressed into participating in governance or executive activities, or expected to assist in recruitment drives. Money may be raised from members through donations, payment for attendance at events, or obligatory purchases as well as from dues. Like public agencies, such organisations are not subject to market forces, but, unlike them, they are not immediately subject to the more popular social values. Given conformity to the law of the land, a voluntary association persists as long as members see it as a worthwhile embodiment of their ideals, and remain willing to invest resources in it. Tight control of entrance to membership may be insisted upon by existing members to ensure that purity of the founding ideals is maintained. For the same reason, alteration of the mission, its scope size or shape, frequently requires a referendum of all members with change requiring much more than a simple majority.

The membership of a voluntary organisation is expected to *sanction its political aims*. Members should keep themselves informed about controversial issues and become involved in overviewing their resolution. For example, they are expected to raise and debate matters of priority and controversy at meetings arranged by the governing body, and to vote on proposals placed before them. Members are usually regularly informed about major developments, and are expected to *own strategic objectives* in meetings or in the journal or newsletter of the association. Members may support or oppose certain objectives and can usually exert a *veto* on a Board decision by calling an extraordinary general meeting and forcing a vote if necessary. Occasionally, a referendum might be held on a particular strategy. Members are frequently involved even at the level of tactical objectives, being expected to *react to certain tactical objectives*. Members of small associations may expect to be provided with information about operations in considerable detail, and may even perform most or all of the executant work. As the undertaking grows, it becomes less and less satisfactory for members to be regular executants. However, members may still occasionally cooperate with or work alongside employed staff in certain tasks such as minor repairs, fund-raising, member recruitment or public speaking.

Commercial Firms. In commercial firms, the constituting body is made up of shareholders. Shareholders of large businesses, in sharp contrast to members of voluntary

associations, are impersonally involved with their organisation as a rule. In this type, the founding group of shareholders decides on a mission that is likely to be profitable. This group then decides the constitution of the company and its governing body in accord with legal requirements, but allowing maximum scope for enterprise. Typically the founding group subscribes capital, and then solicits further subscriptions from other organisations and the general public. These subscriptions buy a share in the ownership of the company or corporation. Shareholders are overwhelmingly oriented to *pursuing one banner goal*: profitability. For most, remaining as a shareholder is decided primarily on the likelihood of profit. So shareholders need to ensure that their company maintains a proper emphasis on the pursuit of profit. Unlike in the other two types of organisation, membership is regarded as an investment which can be sold, and so a sense of proprietorship and identification with the organisation is weak. As the importance of the organisation to its constituting body diminishes, its importance to executives (particularly the top officers) increases. As individuals, top officers seem more important than shareholders to a commercial firm, because their capability and continuing presence determines its success. Governing boards therefore contain senior executives who come to identify with the organisation and see it as depending on them. Naturally, these directors tend to feel that they, and not the mass of shareholders, own the firm — or ought to own it. This is often bolstered by the development of substantial shareholdings through personal investment or as a form of reward for executive achievements. Recently, buy-outs by top management have become popular.

Shareholders do still *set the mission*, but typically only to a very limited degree. They can vote on proposals at a General Meeting in relation to changes in the constitution (the 'Memorandum and Articles of Association'), but proxy voting is typically permitted and the directors usually control these votes. Existing shareholders should be given the option of responding to requests for further capital to ensure that their holding is not diluted. The right should exist to liquidate the company and distribute the value of the assets amongst themselves. Shareholders indirectly *sanction political aims* and could be said to be expected to *own strategic objectives* and *react to tactical objectives* which flow from these. However participation at these implementing levels is extremely limited. Shareholders have a right to attend the legally compulsory Annual General Meeting at which they vote to appoint (or dismiss) directors who decide such aims. Shareholders may then raise and debate controversial issues. However, given the concern with profit and emphasis on executive capability, the board of directors typically feels entitled to resist control, and it is difficult in practice for shareholders in a public company to override the board on policy matters.

Governance Duties
In contrast to the situation for constituting bodies, governing bodies of the three principal types of organisation have much in common in regard to their duties (though not in their structures and processes). All governing bodies should be expected to *observe banner goals* of the organisation as given by the constituting body and needed for acceptance by society. The governors need to identify and proclaim the relevant values and ideals in speeches, press releases and at other opportunities. In public services and voluntary associations, governors should check carefully that the organisation is indeed vitalised by these goals, and should draw the top officers' attention to any marked discrepancies. For example, situations or activities which affront the membership's ideals, or violate basic standards must be actively sought. If intolerable conditions are found, top officers must be instructed to take immediate remedial action and prevent a scandal. Some basic standards are legally enforced, but many others demand a fine judgement about acceptability. Such judgements are most sensitive in public services. Company boards should (unashamedly) emphasise the need for profitability, but here too a broader perspective than that of the shareholders is needed to ensure that the values of other major stakeholders — staff, community, government, consumers, suppliers, creditors and others — are appropriately respected.

Governing bodies should *pursue the mission* of the enterprise. The governing body must see that the mission is upheld in general and satisfactorily progressed. It does so primarily by appointing the top executives and agreeing the main structures, activities and resources of the organisation. Regular review of performance, in particular the financial position, is needed; and the governing body should ensure, on behalf of the constituting body, that top officer duties (as listed in the next section) are adequately performed. The governing body provides the definitive interpretation of the mission, for example when adjudicating borderline proposals, and must reject *ultra vires* action by executives. Governors must also ensure that the constituting body provides the needed resource base for the organisation: in elected government, this means setting taxes of various kinds; in voluntary associations, this means deciding membership dues and fund-raising or membership drives; in businesses, this means deciding dividend payouts and whether subscription of more capital is appropriate. Any change in the mission needs to be led by the governing body: the need for change must be explored, possibilities debated, and proposals put to the constituting body for decision.

The key work of governance in all organisations is *to set political aims*. A governing body must actively identify controversial issues and decide upon them one way or another using the values of its constituting body, and balancing these sensitively with the interests of all stakeholders. It follows that the governing body must identify and set the main priorities for the organisation. In public agencies and voluntary bodies, governors will frequently do so in relation to just one item — reducing or increasing its funding. However they also need to determine criteria or emphases which cover the whole range of concerns within the organisation. All decisions of the governing body therefore have resource implications. There are direct responsibilities for resources as well. For example, in firms, major investments, remuneration of top management, and the distribution of profits are decided by the board; in voluntary associations, special honours or awards may be conferred in relation to a person's contribution; and in public agencies, budgetary allocations are sanctioned. There is a common belief in public agencies that the decision-space of the board or council is reduced by financial cuts. However this is misconceived, because the issue of priorities bites more deeply than ever at times of budget cuts, and governors have more rather than less work to do. (In any case, a key resource always under their control is the time and efforts of the top officers.) The governing body (or its subcommittees or working parties) must check plans and activities of the executive for conformity to agreed political aims, and for emergence of new political issues. This is least problematic in commercial firms and most problematic in public agencies.

Governors cannot develop detailed strategies, but should be expected to sanction *strategic objectives* and worked-out strategies including the associated resource implications. The conversion of priorities or political decisions into feasible strategies demands the intermeshing of governance and top officer thinking. Strategies without value-based criteria are arbitrary and weak, and statements of desirable emphasis or general criteria without practical options are vague and non-specific. Political aims and strategic options therefore need to be explored together so that a direction for the organisation can be developed which commands both political and executive support. Where top officers are not on the governing body, *joint* effort of the governors and top officers is required. This aids governors subsequently in checking the progress of strategies and in their duty to explain them to members of the constituting body when appropriate. In businesses, where the governing board contains top officers, conversion of political aims into strategies may be unproblematical. In public agencies and voluntary associations with a sizable paid executive, strategy development is commonly fraught with misunderstanding and mistrust. On the one hand, governors become embroiled in the setting or overseeing of tactical objectives. On the other, top officers too often present them with a single strategy as a *fait accompli*.

If all higher level objectives have been handled satisfactorily, it seems reasonable to propose that the actual determination of tactical objectives can and should be left to the executive entirely. The governing body must however *own the tactical objectives*. This

means that, occasionally, governors need to provide senior executives with formal or informal support for certain actions in socially or politically significant settings. At times, it becomes evident to governors that an executive decision is generally unacceptable, and then the governing body needs to veto that objective. If explicit opposition within the governing body is appropriate, then disowning and criticism of executive activities by governors may be in order.

Top Officer Duties

Top officer work has two elements: the first concerns the work of handling the interface between the governance structure and the executant hierarchy, and the second involves assisting the governors with governance work (e.g. in relation to compliance with legislation). As noted in the text, sometimes this work is appropriately divided amongst two or more individuals: a secretary and a chief executive. (The exact relations between different top officers vary in different organisations and their exploration is beyond the scope of this article.) It is emphasised that any chief executive is not only a top officer but also the most senior executant — executant duties will be examined in the next section — and if the chief executive is managing director, then a third role, governing, is usually implied.

Top officers must *identify with banner goals* of the organisation. Only by this means can the board be served and can a culture be developed within the organisation that is vitalised by the relevant values and ideals. Top officers need to see through political decisions, with which they may not be fully in sympathy, to the banner goal on which these invariably rest, and to which they can commit themselves wholeheartedly. They must explain the significance of these values to staff within the organisation. If their personal convictions make identification not possible, then opposition is inappropriate and the honourable and sensible course is resignation. Alternatively an unhealthy and obstructive state of alienation develops.

Top officers must *observe the mission*. The chief executive, as leader of all executants, must proclaim the mission to staff and ensure that all identify with it. Top officers must ensure that the necessary structures and procedures in the organisation are adequate. At least annually, they should present a report to their governing body on the general progress of the mission, and with details of the financial position.

Top officers must *pursue political aims* as set by the governing body. This demands interaction with the governing body in policy-making as described in the previous section. The automatic reaction of an experienced executive to offer a single detailed optimum feasible course of action must be curbed by an awareness that there are underlying issues of value to be determined. In all organisations, key issues of controversy typically lie at the heart of any major decision and these need to be faced and resolved. Even on routine matters, criteria or reasons for choosing one option rather than another need to be explored and defined as a policy framework for staff. In public services, such policies have a higher profile because they frequently touch public sensitivities. In voluntary associations, political issues relate to variations and controversies in the values and interests within the membership. Top officers should, in all cases, help the governing body articulate and explore the most sensitive issues, providing information and examining possible options for action. Top officers frequently need to assist the governors in handling the constituting body and wider society when sensitive political matters emerge.

Once the top officer has understood the political aims and priorities and developed a sense of which options are acceptable to the governing body, he must *set the strategic objectives* and develop a strategy to implement these. When these proposals are sanctioned by the governing body, the top officer must ensure that his staff observe the political aims and understand and pursue the strategy. At the task level the chief executive must *sanction tactical objectives*, seeing that all necessary action is taken and keeping in touch with progress and costs.

As mentioned in the previous section, the governing body must appraise its top officers on the performance of the above duties. Such appraisal is not the same as a conventional managerial appraisal (even in businesses). The maxim to 'back him or sack him' holds,

and sustained overt criticism of a top officer by governors is seriously counterproductive for any organisation.

Executant Duties

Executant duties are identical in all types of organisation. However, the nature of the organisation does influence the structures and procedures adopted to perform these duties, does affect the type of staff recruited, and does influence the culture of operation. As noted in the text, executant duties are relatively well-researched and the account here is markedly abbreviated and focused on the model being used.

Staff have a duty to *act on banner goals* as generally recognised in wider society, for example by adhering to basic standards as laid down in law or as specifically promoted within the organisation. To maintain consensus and allow leadership, they must actively *identify with the mission* as promoted by the governing body, and in particular with the specific responsibilities of their own post as decided by the chief executive (or an appropriate subordinate). Commonly they must support the primary mission by developing the (sub-)mission of their own section of the organisation, defining and developing necessary structures and procedures, and appointing, controlling and training subordinates.

It is usually impossible for the governing body or even top officers to specify all the opportunities for action on political aims throughout the organisation. Executants therefore must be expected to *observe political aims*. For example they should apply governing body policies and priorities to allocating resources and managing workload without needing specific instruction in each case, and uphold the orientation of the organisation in dealings with clients or suppliers. Because political aims are matters of value, they may not be automatically acceptable or congenial to staff. It is therefore necessary to use personnel, particularly in senior management, who are disposed to accept the desired orientation of the organisation. Hence there are frequent changes in senior staff following takeovers or restructuring. Executants must *pursue strategic objectives* and strategies. Typically senior managers work in teams with key subordinates to clarify and help develop given strategies and to ensure a consensus on the way forward. In this process they must resolve any internal political issues, and develop their own (sub-)strategic objectives and (sub-)strategies. A major activity here is the mobilising, developing and husbanding of resources.

Finally, but fundamental to their role, executants must *set tactical objectives* and tasks. Tasks must be performed both as generally required and as specifically assigned to meet given or agreed deadlines. This involves seeing that all relevant projects and sub-objectives are set and are feasible, and monitoring and reviewing task performance and resource use in detail.