

# HYBRID ORGANIZATIONS: CAUSE OR CURE?

*A discussion based on a study in the Dutch waste management sector*

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## Abstract

Hybrid organizations that mix characteristics of agency and enterprise play a prominent role in the debate on how governments can address the financial and economic crisis. There is much discussion but not yet a wealth of empirical data. This article addresses this lacuna by describing the results of PhD research on hybrid organizations in Dutch waste management, which focussed on the following general research question: *How do hybrid organizations function in practice and what are the effects of their hybridity?*

## 1. Introduction

Hybrid organizations that mix characteristics of agency and enterprise play a prominent role in the debate on how governments can address the financial and economic crisis. This discussion is rather polarized: some see hybridity as a way out of the crisis and point to its long history and arguably success story in many European countries, where the modern welfare state could not function without organizations spanning sector boundaries. According to their advocates, hybrid organizations create synergy and innovation by bringing state, market and society together, which leads to several benefits, such as a more effective and efficient public service provision and financial savings.

Others claim that hybridity is one of the main reasons for the recent crisis - after all, FannyMae and FreddyMac were hybrids too (Koppell 2003). These critics lament the inherent weaknesses of hybrid organizations. A column published in *The Economist* in 2009, when nationalisations due to the crisis were at their peak, for example warned that *"they are inherently confused organisations, buffeted by all sorts of contradictory pressures. This means that their internal operations can be hard to understand and their behaviour difficult to predict."* (Schumpeter 3)

The combination of fierce criticism and grand expectations make hybrid organizations a fascinating subject for research and to examine what exactly their role could be in a world of scarce resources. However, even though many a European country has a rich and long tradition of mixing public and private, there is not yet wealth of literature on the subject. Also, the texts that are available tend to be *"sparsely spread across many academic disciplines over several decades"* (Billis 2010, p.55). In my opinion this is a major deficiency in the debate, as it, to again speak with Billis (2010, p.46), means that *"we have stumbled into a period of intense organizational hybridity in which we appear to be drifting up the (welfare hybrid) creek not only without a paddle, but also without a reliable map."*

In this article I address this lacuna by focussing on the following general research question: *How do hybrid organizations function in practice and what are the effects of their hybridity?*

I strive to answer this question by addressing the following three specific research questions:

1. What are hybrid organizations?
2. What are the effects of organizational hybridity?
3. Are hybrid organizations indeed mostly cause for trouble or could they be a viable way to provide public services in times of financial austerity?

Each question will not only be addressed theoretically but also empirically, based on data from my PhD thesis on the governance of hybrid organizations in the Dutch waste management sector (Karré 2011). Looking at the effects of organizational hybridity from a Dutch perspective is especially

interesting, as in The Netherlands (as is the case with most, if not all, other Western countries) the border between the realm of the state and the market place was never strict and impenetrable, but always rather fuzzy, porous as well as shifting over time, adjusting to societal and political preferences, necessities but also fads and fashions. The country therefore has a long and rich tradition of using hybrid organizational forms mixing public and private in the provision of public services. Also, there is a fierce discussion going on about the benefits and risks of hybrid organizations, with an abundance of theories of what its effects could be.

This article is structured as follows: I first answer research questions one and two based on a literature review. I then describe findings from my study of hybrid organizations in the Dutch waste management sector and conclude with a discussion whether hybridity rather is a cause for trouble or a viable cure.

## **2. Hybridity in theory**

### ***2.1 Defining hybrid organizations***

In the literature, hybrid organizations are most broadly defined as *'heterogeneous arrangements, characterized by mixtures of pure and incongruous origins, (ideal)types, "cultures", "coordination mechanisms", "rationalities", or "action logics".'* (Brandesen et al. 2005c, p.750) We mostly find them in the border areas, where the three traditional sectors of society (public, private and Third sector) meet and overlap.

In this article I mainly focus on those hybrid organizations that can be found on the continuum between agency and enterprise as described by Dahl and Lindblom (Dahl & Lindblom 1953; H. Rainey 1997; H. G. Rainey & Chun 2007). Agencies are subject to polyarchy (or governmental authority) which is based on centralized rules and authoritative directions as the broad mode for organizing economic and social activity. Economic markets are the alternative of polyarchy, and the mode of social control determining the actions of enterprises, which grant individuals a larger degree of choice about their transactions and relations.

There already are several models that arrange the different forms of hybrid organization in between these two poles. Some of these models only use one dimension to range organizations (Dahl & Lindblom 1953; Fottler 1981), while others are multidimensional (Wamsley & Zald 1973; Perry & H. G. Rainey 1988; Bozeman 1987; van Thiel 2000; Evers et al. 2002). Taken together, a multidimensional model of a hybrid organization can be constructed, consisting of ten dimensions clustered (for

clarity's sake) into three groups: (1) structure and activities, (2) values and strategy and (3) governance and politics (see table 1).

**Table 1: Multidimensional model (Karré 2011, pp.38-43)**

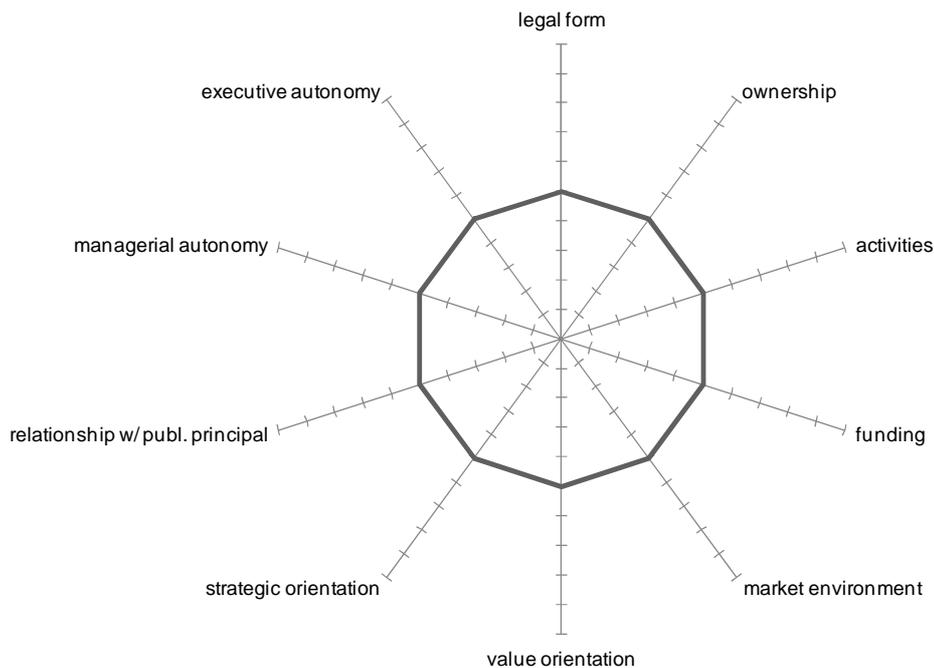
<p><b>Structure and activities:</b> The dimensions in this cluster tell us more about its principal as well as about the activities of the organization. They are:</p> <ul style="list-style-type: none"> <li>- Legal form: this dimension deals with the degree to which an organization's legal form is governed by public or by private law.</li> <li>- Ownership: this is the continuum between full governmental and full private ownership.</li> <li>- Activities: this is the continuum between a complete focus on statutory or public tasks and one on private, commercial activities.</li> <li>- Funding: this is the continuum between 100 % governmental appropriation and 100 % private funding.</li> <li>- Market environment: this is the continuum between a monopolistic and a competitive market environment.</li> </ul>
<p><b>Strategy and culture:</b> The dimensions in this cluster deal with questions concerning the organization's overall strategic outlook and its value system. They are:</p> <ul style="list-style-type: none"> <li>- Strategic orientation: the continuum between a strategic orientation totally aimed at government and one totally aimed at the market.</li> <li>- Value orientation: the continuum between a total orientation on the public values of the guardian syndrome and a total orientation on the values of the commercial syndrome.</li> </ul>
<p><b>Governance and politics:</b> The dimensions summarised in this cluster deal with the question of how the organization's relationship with its public principal(s) looks like and to which degree it possesses autonomy, both managerial as well as executive. They are:</p> <ul style="list-style-type: none"> <li>- Relationship with political principal: the continuum between a relationship based on public and one on private law.</li> <li>- Managerial autonomy: the continuum between political autonomy (a system in which the management of an organization is influenced by politics) and economic autonomy (a system in which the management of an organization is influenced by the market)</li> <li>- Executive autonomy: on this dimension I score whether an organization has little or much autonomy in how it conducts its activities or to use Simon's taxonomy, whether it rather has a capacity function or a product function.</li> </ul>

By scoring it on these ten dimensions<sup>1</sup>, a hybrid organization can be visualized, for example by means of a spider chart. A hypothetical organization, represented as only a dot at the centre of the chart, would be 100 % public on all of the dimensions featured above. As the surface area grows, the organization becomes more private to the maximum of covering the full chart, which represents an

<sup>1</sup> Scoring the mixed character of an organization is obviously no exact science. The charts will be used mainly as a quick comparison of the hybrid character of my three case organizations and should not be read as an absolute measure of the organizations' degree of hybridity. I used the following scores: completely public (0), mostly public (2), somewhat public (4), half way between public & private (5), somewhat private (6), mostly private (8) and completely private (10).

organization that scores 100 % private on all dimensions: the ideal-typical enterprise. A prototypical hybrid organization would be half agency/half enterprise and could be visualized as portrayed in figure 1.

**Figure 1: Prototypical hybrid organization (Karré 2011, p.41)**



## ***2.2 The effects of organizational hybridity***

The Dutch debate on hybrid organizations is an interesting point of departure for a discussion of hybridity's possible positive and negative effects, as it is rather normative in the sense that most commentators tend to focus on only one side of the coin based on their own background and ideological beliefs, unwilling to acknowledge the other side.

Two schools of thought oppose each other in the Dutch debate. On the one side of the debate are those that claim that bringing public and private together in organizations rather than to keep them apart, leads to innovation and the creation of synergy (Brandsen et al. 2006; Brandsen, van de Donk & Putters 2005; Brandsen, van de Donk & van Montfort 2005; Frissen 2005; M. H. Meijerink 2005; van Montfort 2008; Mouwen & van Bijsterveld 2000; Sociaal-Economische Raad 2005; Sociaal-Economische Raad 2010; Wetenschappelijke Raad voor het Regeringsbeleid 2004; in 't Veld 1995; In 't Veld 1997a; In 't Veld 1997b; In 't Veld 2003; In 't Veld 2005; In 't Veld 2008). I refer to this approach as the synergy argument.

Hybridity is in this perspective expected to yield several economic, performance related, cultural and governance related benefits. It is expected to (1) benefit an organization's financial and economic position by for example getting access to new markets, (2) serve as an incentive to increase effectivity, (3) trigger organizations to combine the best of both worlds by bringing the most prominent values of the public and the private sector together and (4) have a positive effect on an organization's relationship with its political principals.

On the other side of the debate are those that claim that there is (and moreover should be) a strict, fixed (and preferably impenetrable) border between the public and the private domain as introducing commercial values would corrupt the provision of public services (Ankersmit & Klinkers 2008; de Jong 1998; Gradus 2005; MDW-werkgroep markt en overheid 1997; Simon 1989; Simon 2005e; Simon 2008; Stevens 1997; Stevens 1998). I refer to this perspective as the corruption argument.

Hybridity is seen here as the root cause for all sorts of economic, performance related, cultural and governance related risks. It is expected to (1) lead to various forms of unfair competition, such as the use of cross-subsidies, the use of confidential government data for commercial means, the forming of public monopolies and the combination of conflicting roles, (2) make organizations neglect their public tasks in favour of their commercial activities, (3) create cultural conflicts as private sector values are introduced which are commonly seen to be stronger than public sector values as they are based on individual self-interests rather than on altruism and (4) the creation of opportunistic behaviour, which makes hybrid organizations less dependable partners for their political principals in the provision of public services.

See table 2 for a summary of the advocates' and adversaries' arguments. It is interesting to note, that while most voices in the discussion treat the possible effects of hybridity as mutually excluding, they are, when examined more closely, often two sides of the same coin. Each effect can be interpreted both as beneficial and as hazardous depending on the author's standpoint. The old adage, where one stands depends on where one sits, also rings true here. This also seems to indicate that one can never choose only the one and not the other: hybridity is a heads *and* tails issue. Each positive effect has a flipside and vice versa.

Table 2: Benefits and risks of hybridity (Karré 2011, p.68)

	Benefits of hybridity	Risks of hybridity
<i>Economic aspects</i>	Increased turnover and profit	Unfair competition
<i>Performance related aspects</i>	Increased efficiency and effectiveness	Neglect of public tasks
<i>Cultural aspects</i>	Increased consumer-orientation	Cultural conflicts
<i>Governance related aspects</i>	More effective governance	Opportunistic behaviour

### 3. Hybridity in practice

#### 3.1 Introduction

Based on the literature already available on hybrid organizations, we can identify the dimensions on which an organization can be a mix of public and private and what hybridity's effects might be. I used these theories to conduct a case study research (Yin 1994) of three hybrid organizations in the Dutch waste management sector, which I refer to as TOM, DICK and HARRY.

Before they became hybrid organizations, my three case studies were traditional public organizations or agencies, with a bureaucratic and hierarchical culture, providing waste related services on behalf of a government. TOM was a municipal enterprise, established to mainly burn the waste of parties that had signed a covenant. Those were mostly municipalities but also included one private waste management company which had its own facilities for storing waste. This gave TOM the opportunity to compensate for fluctuations in the amount of municipal waste. DICK was a group purchasing organization with the legal form of a local joint venture that purchased capacity at an incineration facility on the behalf of several municipalities. HARRY was the sanitation department of one of the island areas of the Netherlands Antilles. Like TOM, HARRY also had some private customers, In both cases these activities were merely a sideline and meant to support the activities the organizations conducted for their public principals.

#### 3.2 Methodology

My research strategy for studying TOM, DICK and HARRY's hybrid character was as follows. I first constructed, based on the scarce literature on hybrid organizations and the hypotheses from the Dutch debate, a list of what Blumer (1954) calls *sensitizing concepts* to guide me through the data

collection process. I did this instead of formulating hypotheses to be able to keep an open mind to those effects of hybridity not yet covered by earlier studies.

At each organization, I gathered evidence from multiple sources<sup>2</sup> to achieve triangulation (Yin 1994, p.90). I then analysed the collected data using a strategy relying on the sensitizing concepts collected during my literature review and engaged in a process of what Yin calls explanation building (1994, p.110). I composed case study reports of each case and asked my contact persons at TOM, DICK and HARRY to alert me on any factual errors. I also presented my findings in an aggregated form to a group of directors of other waste management companies. I asked them to reflect on my observations and to tell me whether they sounded familiar to them. By doing so I also collected data on how other waste management organizations dealt with hybridity, though not on a level of detail comparable to my three individual case studies.

Below I present the key findings of my research at TOM, DICK and HARRY. I first describe how the organizations could be scored as hybrids on the ten dimensions identified before and will then summarize the effects of their hybridity. See figures 2 through 7 for a graphical representation.

### ***3.3 TOM, DICK and HARRY as hybrid organizations***

#### **3.3.1 Structure and activities**

In all three cases, the initiative to grant the organization more autonomy and to run it like a business, came from the managing directors, who saw themselves as public entrepreneurs. In the case of DICK and HARRY this involved lobbying for an autonomization of the organization. DICK was autonomized as a municipal corporation in 2003 and HARRY as a corporation in 1996, ten years after the idea had first been discussed. Fears of losing control made TOM's political principal opt against an autonomization, but its managing director got more autonomy nonetheless.

Of all three of my case organizations only DICK did not yet provide services for commercial customers, nor did it plan on doing so in the near future. However, this did not mean that the organization did not have to operate in a competitive environment. In contrast to the situation at TOM and HARRY, DICK's shareholding municipalities were no captive customers. This forced DICK to compete with other waste management companies for their contracts.

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<sup>2</sup> Sources for evidence were (1) written documentation (letters, memoranda and other communiqués, agendas, announcements and minutes of meetings, and other written reports of events, administrative documents – proposals, progress reports, and other internal documents, formal studies or evaluations of the same *site* under study and newspaper clippings and other articles appearing in the mass media), (2) direct observations at meetings (ie. of the supervisory board and works council) and (3) semi-structured interviews with the organization's board of directors, several members of its supervisory board and its works council, its controller, its managers responsible for marketing and for PR, several of its operational staff and several of its external stakeholders, such as public and commercial customers and political principals.

Figures 2 & 3 TOM: agency and hybrid (Karré 2011, pp.104-5)



Figures 4 & 5 DICK: agency and hybrid (Karré 2011, pp.123-4)



Figures 6 & 7 HARRY: agency and hybrid (Karré 2011, pp.138-9)



So far only HARRY already conducted more activities for commercial customers than before its autonomization. These were now not a sideline anymore but an increasingly important source of income for the organization. HARRY already generated about 10.8 % of its revenues by conducting services for other parties than the island area.

In the case of TOM, most of the waste it burnt still originated from municipalities. However, the municipal council had agreed to nearly double TOM's incineration capacity by constructing a new, highly innovative plant, which was supposed to burn business waste only. This new plant was nearly finished at the time I did my research at TOM and was scheduled to be fully operational the following year. It was expected that from then on TOM would generate more than 70 % of its turnover by burning waste delivered to its plant by commercial waste management companies and by selling the electricity this created on the energy market.

With the new plant not only the share of TOM's financial dependence on commercial waste management companies would increase. So would the pressure of competition, as all Dutch incineration plants were trying to get a big piece of the lucrative market for incinerating business waste. It would also become more depended on the developments on the commercial waste management market which for one is very cyclical.

### **3.3.2 Strategy and culture**

The strategic outlook of all three organizations had changed. Their managing directors no longer saw their organizations as mere executioners of a strategy devised by politicians, aimed at providing goods and services to their exact specifications. They now had the autonomy to make their own plans, at least within the boundaries of their new, looser governance arrangement (see the following section for more on this). The new strategy they followed was more entrepreneurial, in the sense that the managing directors saw and managed TOM, DICK and HARRY as businesses, with the strategic goal to grow and strengthen their position in the waste management market.

One way of achieving this new strategic orientation was to bring new employees with a commercial background into the organization, with the specific task to professionalize the way it conducted its services, both on the managerial as well as on the operational level. A second way to change TOM, DICK and HARRY into more businesslike organizations was to tackle their organizational cultures, by introducing commercial values, such as initiative and enterprise. Employees were now expected to work harder and longer as well as more efficiently.

### **3.3.3 Governance and politics**

Their hybridity brought a change in governance for all three organizations. TOM remained an agency on paper, but its managing director was granted more managerial and executive autonomy. DICK and HARRY were put at arm's length and the changes to their governance arrangements were therefore more radical. Their relationship with their public principals, now the organizations' shareholders, was based on private law rather than public law. Their managing directors also had more managerial and executive autonomy but still no full autonomy, as their decisions were subject to oversight by not only the organizations' shareholders but also their supervisory boards, consisting of political appointees and non-politically appointed members.

## ***3.4 The effects of hybridity***

### **3.4.1 Economic effects**

The managing directors of TOM, DICK and HARRY described higher turnover and profit as a positive economic effect of the new hybrid status of their organizations and I indeed observed that they had done so. But I find it difficult to share the directors' enthusiasm, as the benefits of this development often seemed to be limited to the organizations themselves. For example, from the information available to me it was impossible to tell whether TOM's private activities really contributed to a low public tariff, as the organization claimed, as it did not differentiate between takings from public and private sources in its annual report.

Also in the case of DICK I find it difficult to verify positive economic effects. Its increased turnover from the same customer base seems rather to indicate that these customers had to pay more every year for the same services. DICK had no other customers than its municipal shareholders and the dividends it paid out to them every year were in reality nothing more than a restitution on an advance that turned out to be higher than the actual cost. Whether this was due to increased efficiency or simply the case because of an overpayment, can not be determined based on the data available to me.

In HARRY's case, its hybridity had made it immune from budget cuts by the island area. This gave the organization more financial security to make long-term plans, which in turn increased the organization's stability. However, it also meant that the government of the island area had to look at other public institutions when budget cuts were necessary, as its choice was now limited. This might lead to a situation in which other (and arguably more important) public services have their budgets cut, such as the island area's education or health services.

Another flipside of higher turnovers and profits as positive effects of hybridity, is unfair competition. Private competitors often complain that hybrid organizations can only make a profit on the marketplace because they use public investment to cross-subsidize their commercial activities.

Unfair competition was an issue in the case of TOM, whose municipality had decided to build it a new, high-yield incineration plant at a time when, according to interviewees at the organization, private companies would shirk away from such an investment. Whether this unfair competition was an argument against TOM's hybridity is another matter, as it was not a disadvantage to society at large, but limited to commercial companies. One could argue that it was positive that a municipality was willing to invest in a clean and technically advanced incineration plant, while at the mean time provide services at a price lower than any competitor could offer.

TOM had another financial advantage, as it was assured that it would be reimbursed by its municipal customers for any financial losses it made on the market place. This gave TOM in theory *carte blanche* to operate less prudently on the market place than its private rivals. In practice the organization had not yet suffered any losses and had not yet needed any public financial subsidies. But the risk of this happening increased as TOM was expanding into the market place. Whether this can be seen as a negative effect of hybridity, depends in my opinion on how reasonable the risks the organization took were and whether they had been properly assessed beforehand, as I find the notion that public organizations should never be allowed to take any entrepreneurial risks with public money out of touch with reality, as this would bring government to a standstill.

### **3.4.2 Performance related effects**

Another strategic goal TOM, DICK and HARRY's managing directors strived to achieve with the hybridisation of their organizations was to create incentives to work in a more professional and efficient manner. I was told that neither organization had been terribly efficient as agencies, which according to my interviewees was due to their lump sum funding and lack of competition.

From what I could observe in my three case studies, I am inclined to say that their new hybrid status did indeed positively influence the organizations' performance. Their hybridity brought a change in funding. DICK and HARRY were now no longer financed by lump sum, but rather on their output. TOM would also be funded this way for burning commercial waste as soon as its new plant was operational. As they could keep any money saved, this new way of funding stimulated the organizations to increase their efficiency. In practice this meant that the employees of all organizations were now expected to work longer and harder and save money.

As hybrid organizations, TOM, DICK and, to a lesser extent, HARRY also had to be competitive, since they now had to outperform companies which were trying to outperform them. TOM's main rivals for the incineration of business waste were other public and private waste incineration facilities. DICK had to compete with other waste management companies for contracts with its shareholders and HARRY had to compete with private companies for contracts for the collection of business waste. They were less technologically advanced as HARRY and hence much cheaper.

Also my case organizations' positive performance related effects had their flipside, at least for TOM and HARRY. Both organizations now had two kinds of customers: captive, public customers, and private ones that were free to take their business elsewhere. This made it tempting for the organizations to spend more attention on private customers than on the public ones, as the latter were not going anywhere.

### **3.4.3 Cultural effects**

A third goal the managing directors pursued through TOM, DICK and HARRY's new hybrid status, was to transform their organizations' cultures. They saw their organizations as hierarchical and bureaucratic and told me staff often misused their position for their own gains. The managing directors wanted to achieve a situation in which their organizations' cultures were characterized by more businesslike values such as initiative, enterprise and efficiency and in which all employees were working together on achieving the entrepreneurial goals of the organization.

In my opinion, only the cultural transition programme started by DICK's managing director had been successful. Even though they were expected to work harder and adhere to more rules and procedures than before, DICK's operational employees told me that they appreciated these changes as they would make their organization sustainable and future-proof. They also did not mind that there were strict rules regulating their work and behaviour, as long as these rules applied to everyone and not only the operational staff of the organization.

A possible flipside to the positive influence of new businesslike values on a hybrid organization and its staff, are cultural clashes that can arise when one tries to combine traditional public sector and traditional private sector values. I could witness this negative effect in both TOM and HARRY.

TOM's board put considerable time and energy into trying to change its political, bureaucratic and task-focussed culture to the more entrepreneurial culture they envisioned. This top-down cultural transformation project encountered the resistance of the organization's operational staff. TOM's blue-collar workers interpreted the directors' claim that the organization had to be more professional and entrepreneurial as a thinly-veiled criticism on their past performance. They saw their autonomy as a

source of pride, which was threatened by the introduction of strict rules and procedures. Many told me this changed the organization they had worked for for decades beyond their recognition.

Another source of conflict between TOM's operational staff and its board was the latter's decision to bring new employees with commercial backgrounds into the organization. This decision was instigated by the desire to strengthen its sale function and to break the dominance of its technical staff. However, it created jealousy and made the organization's blue-collar staff fear being marginalized.

The board of directors' strategy to cope with these tensions was to try to better explain why they thought TOM needed to change. However, they did not fundamentally alter their top-down cultural transition process, pointing out the shortcomings of the old culture. In the eyes of the organization's staff, this old culture had worked rather well in the past. Because of this, the stand-off between the organization's board and its operational staff persisted.

Also at HARRY there were tensions between its management and some of its operational staff. I heard complaints about new employees with a commercial background being sought for positions in the organization's offices. In the past it had been possible for HARRY's operational staff to grow from a job on the work floor into an office function even without a proper diploma. This was now not possible any more, as HARRY's managing director was busy professionalizing the organization and its workforce. This led to complaints amongst the operational staff about HARRY becoming less egalitarian and top-heavy, whereas the managers still deemed the organization too soft.

#### **3.4.4 Governance related effects**

A last reason why the managing directors of TOM, DICK and HARRY had lobbied their public principals to allow them to run their organizations like businesses, was that they expected positive governance related effects. They complained that as agencies, their organizations had suffered from inertia, as their governance arrangements did not facilitate the kind of quick decision making they thought they needed in the market place.

So far, only the governance arrangements of DICK and HARRY had been changed. Their public principals, municipalities in DICK's case and an island area in HARRY's case, were now the organizations' shareholders. I was told that in the past both DICK's municipalities as well as HARRY's island area had not really been interested in how the organizations conducted their services, which often meant crucial decisions took a very long time. Their new hybrid status had not changed this. At DICK, aldermen often chose not to attend the annual shareholders' meetings, which as a result often

lacked a sufficient quorum to take decisions and also HARRY's shareholders did not show much interest in the organization.

I therefore conclude that DICK and HARRY's new hybrid status had only a limited positive effect on their relationships with their shareholders. In my opinion, the blame for this situation has to be laid at the doorstep of both organizations' shareholders who failed to take their roles seriously. This was a pity, as committed shareholders could be an efficient remedy against the opportunistic behaviour that is often cited as a possible negative governance related effect of hybridity. That said, instead of taking advantage of this lack of control, my cases organizations were very frustrated that their shareholders did not take an active interest.

A second change to DICK and HARRY's governance arrangement was the establishment of a supervisory board. The boards of both organizations had a number of politically appointed members. DICK's managing director told me that the supervisory board provided him with a better system of checks and balances than he had before. HARRY's managing director told me that the positive effect of having a supervisor board was that politics could still be involved in the organization's decision making, even now that it was put at arm's length.

The hybrid composition of DICK and HARRY's supervisory boards, which HARRY's managing director cited as one of its strengths and which also the politically appointed members of DICK's board saw as its advantage, in my opinion rather led to an undesirable situation. Loyalty issues could arise for the politicians who were board members, in choosing between conflicting interests of the organization and their constituents. According to the board members I interviewed, this problem had not yet arisen at DICK, but they were aware of its potential.

In contrast, some of HARRY's board members had decided not to take the interests of the organization into account at all in an affaire concerning the appointment of its new deputy director, but to use the organization as a vehicle for nepotism to give the job to a political crony. However, I see the (potential) problems with the hybrid composition of DICK and HARRY's supervisory boards not so much as a problem due to their hybridity but because of the conflicting roles of political appointees.

#### **4. Cause or cure? Discussion and conclusions**

None of my findings showed that hybridity is such a catastrophe to the provision of public services as its adversaries would like us to believe. But I also found it difficult to substantiate all the arguments brought forward by its advocates. Hybridity can produce positive as well as negative effects. Which of them prevails seems to depend for a good deal on the management and the governance of the respective organization.

Hybridity seems to have the potential to be both, a cause for trouble and a cure. In this respect it is important to note that its positive and negative effects are a series of opposite sides of the same coin. What one sees as unfair competition, another sees as a good deal for the citizens, to name but one example. Hybridity therefore is an issue of heads *and* tails and not of heads *or* tails: it is important not to forget about, or even ignore, the flipside that inevitably comes with each positive or negative effect.

How we judge hybrid organization mostly seems to depend on how we look at them. Hybrids are desirable from an innovation perspective, when the fresh combination of traditional elements is expected to create novel solutions. Hybrid organizations can in this perspective be seen as labs or hothouses for innovation.

They are desirable too from a governance perspective, in which we acknowledge that the wicked problems of our times cut across neat service lines and thus can not be tackled by only one agency but rather ask for a multi-stakeholder approach. In this context, hybrids are important boundary spanners and mediators.

Hybrid organizations are not desirable from a more static or traditional view in which the primacy of politics is paramount. In this view, they are not seen as innovators or important boundary spanners but rather as perversions that have to be eradicated. For a long time this has been the prevailing perspective in the Dutch discussion but it seems unlikely that it can be held up much longer. This is mostly due to the changes in the world around us which mean that government has no choice but to ask other parties to participate in dealing with the wicked issues society faces.

This means that we should finally move away from the discussion whether hybrid organizations are good, bad, admissible or whether they should be forbidden. This boat has long sailed and hybrid organizations are here to stay. The discussion needed now is on how to unlock their innovative potential and make them instruments for improving the quality of public service provision. Or, to put it differently: the main question is not whether hybridity is heads or tails but how to make the best of both sides of the coin. Only if we manage to do that, will hybridity rather be a cure than a cause for trouble.

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