Conceptualizing hybrid organizations

A public administration approach

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Dr. Philip Marcel Karré
Programme Director Master Urban Management &
Lecturer Public Administration
Amsterdam University of Applied Sciences
PO Box 1025
1000 BA Amsterdam
The Netherlands
p.m.karre@hva.nl
karre@hybridorganizations.com
www.hybridorganizations.com
Abstract
In theory, it should all be so simple and the world of public service provision so clear-cut. The state safeguards public interests through coercion and by providing essential public services through public organizations. The market, driven by individual self-interest and the quest for making a profit, provides commercial goods and services through private organizations. And society takes care for charity on a voluntary basis through non-profit organizations, such as social enterprises, cooperatives and other forms of self-organization.

However, in practice these clear distinctions are often hard to make. The reality in which public, private and non-profit organizations operate, is messy and fuzzy and they do not necessarily always stick to the roles outlined before. In the plural state, multiple independent actors contribute to the delivery of public services. They straddle and freely cross sectoral boundaries and by doing so mix the often contradictory values, ideal types and rationales of various sectors of society. Organizational hybridity is the result of this. Even though hybridity is no new or uncommon phenomenon, hybrid organizations still are poorly understood and often contested. This paper provides a theoretical framework, based on research in the fields of public administration and political sciences, on how to describe hybrid organizational forms and explain their behaviour.
1. Introduction

Times of financial austerity force government to reconsider its role in public service provision. Simultaneously, public expectations remain high as we have lost trust in the market as a viable alternative. At this time, hybrid organizations such as quangos (quasi non-governmental organizations), state and social enterprises, cooperatives and public service mutuals could be a viable middle ground between state, market and society. However, these hybrids are often mistrusted. Whereas its advocates believe that introducing entrepreneurial values into public service provision will create synergy (the argument behind many New Public Management-reforms), critics of hybridity fear corruption and value clashes (see for example (Koppell, 2003)). So far we lack a proper basis for both claims, as academic research on hybrid organizations is scarce.

There also is a lack of conceptual theories, explaining why organizations are hybrid, where their hybrid character can be observed and to what effects it leads (an argument also made by, among others, (Billis, 2010)). Treated as black boxes, the examples of hybrid organizations mentioned before will not offer much clue or insight on where hybridity can be found within an organization and what its effects might be. To fill this gap this paper deals with three questions:

1. What are the constituting factors of an organization’s hybridity?
2. Which tensions do arise due to their hybridity?
3. How can they be linked to possible positive and negative effects?

This paper answers these questions by presenting a multi-dimensional model of a hybrid organization, based on the (rather broad) definition by Brandsen et al. that describes hybrid organizations as ‘heterogeneous arrangements, characterized by mixtures of pure and incongruous origins, (ideal)types, “cultures”, “coordination mechanisms”, “rationalities”, or “action logics”.’ (Brandsen, van de Donk, & Putters, 2005, p. 750) This conceptual model has been developed based on various theories already existing about the differences between public, private and societal organizations and the constituting elements of organizational hybridity and has been developed and tested in PhD-research on hybrid organizations in the Dutch waste management sector (Karré, 2011) and other fields (see Brandsen & Karré (2011) for an overview). This makes it possible to not only present a validated model of a hybrid organization but to also link an organization’s specific hybridness to possible positive and negative effects.

The model presented here stands in the tradition of research on hybrid organizations as conducted in the field of public administration (see again Brandsen & Karré (2011) for a comparison of how research on hybrids in public administration differs from that in other disciplines). It also draws on broader discussions about hybridity in the Netherlands, which, due to its history and governmental regime, has a long tradition of hybrid organizations in the provision of public services (see for an overview Karré (2011)). Nevertheless, there has been and still is a fierce discussion about the pros and cons of hybridity, based on the political question how big the market’s role should be in the provision of public services. This discussion will serve as an ideal point of departure for a broader discussion about the positive and negative effects of hybridity in this paper.

This paper is structured as follows: I first describe the place, which I refer to as the hybrid realm, where hybrid organizations can be found amidst public, private and societal organizations. I then refine the definition of a hybrid organization given before, by identifying the dimensions on which an organization can be hybrid. By charting several examples of a hybrid organization in a spider chart, I
show that each hybrid organization has its own distinctive thumbprint, what I call an organization’s hybridness. I then describe, based on the Dutch discussion on hybrid organizations, what the positive and negative effects of hybridity can be. I conclude with several recommendations for academics endeavouring to do research about hybridity, which, at least in the Continental European contest, has (for some time already) been a contested subject, where fierce criticism about the mixing of public, private and societal values goes hand in hand with great expectations about the possible synergy that could be created by blurring sectoral boundaries.

2. The hybrid realm of society
Society is often visualized as a triangle with different sectors or domains at the corners, each with a distinct coordination mechanism at play (cf. Evers, 1990; Pestoff, 1992; Zijderveld, 1999). The state, which is based on coercion, is situated in one corner. In another the market can be found, which is coordinated by the free exchange of goods and services. And in the final corner of the societal triangle the community is located, with love as its coordination mechanism.

Van de Donk (2001) adds three dimensions to this triangle to describe the characteristics of the organizations that can be found in each sector by comparing their publicness, their profit-orientation and their formality (see Figure 1). In his model state organizations are defined as public, formal and non-profit; market organizations as private, formal and for profit; and community organizations as private, informal and non-profit.

*Figure 1: Societal Triangle* (van de Donk, 2001)

However, in reality these clear distinctions are often hard to make. Rather than close to the corners of the triangle, where the characteristics of each sector are arguably the most profound, many (if not most) organizations can rather be found at the core of the triangle, where distinctions (and indeed realities) get more fuzzy. Here hybrids can be found: this is the realm of organizations that are not either public or private, but public and private; that neither are non-profit nor for profit, but both; and that simultaneously are formal and informal.
Brandsen, Van de Donk and Putters (2005) describe this hybrid realm as the Third sector or civil society, which according to them is mostly inhabited by organizations established to care for others on a voluntary basis. In quadrant a of this sector we for example find the environmental movement, which sprang from the community but operates near the political domain, since it often uses the political procedures and mechanisms of the state to realize its ideals and objectives. In quadrant b we find organizations such as trade unions, that also are situated close to the political domain but, contrary to the organizations in quadrant a that care for society as a whole, represent the interests of their members. Quadrant c comprises grassroots organizations providing care within communities (such as neighbourhoods) and quadrant d organizations characterized by higher degrees of professionalism and a range of clients/beneficiaries beyond the communities they sprang from (e.g., local mutual forms of insurance) which often provide services in competition with private companies (cf. Brandsen, van de Donk, & Putters, 2005).

This conceptualization of the Third sector is illuminating, but does only in passing take into account that there are other forms of hybrid organizations next to those that stem from the community. A more accurate representation of the pluriformity of hybrid organizations is Billis’ visualization of three societal sectors and their nine hybrid zones (see Figure 2). Taken together, these zones constitute what I call the hybrid realm at the centre of society.

Figure 1 The three sectors and their hybrid zones (Billis, 2010, p. 57)

In each of the nine zones, the characteristics of two or all three societal sectors are mixed and hybrid organizations can be found with a special kind of what I call hybridness:

Zone 1: public and Third sector hybrid organizations,
Zone 2: public, private and Third sector hybrid organizations,
Zone 3: public and private sector hybrid organizations,
Zone 4: Third and public sector hybrid organizations,
Zone 5: Third, public and private sector hybrid organizations,
Zone 6: Third and private sector hybrid organizations,
Zone 7: private and public sector hybrid organizations,
Zone 8: private, public and Third sector hybrid organizations,
Zone 9: private and Third sector hybrid organizations.
Some combinations are more common than others but examples can be found for hybrid organizations situated in each zone. I already mentioned several public/Third sector and Third sector/public hybrid organizations (situated in zones 1 and 4) as well as several private Third sector and Third sector/private hybrid organizations (situated in zones 6 and 9) when I described Brandsen et.al.’s conceptualisation of the Third sector. Examples for hybrids in zone 7 would be private organizations with sovereignty, such as private military companies that fight our wars (cf. Singer, 2008) and private security companies that police our public spaces (like shopping malls or public transport).

In this paper, I will mostly deal with those hybrid organizations that can be found in zone 3, public organizations that also trade on the market place, such as state-owned or government-sponsored enterprises. As quasi non-governmental organizations (or quangos) they not only operate at arm’s length from their political overlords but also undertake commercial activities on behalf of government, mixing them with their activities related to safeguarding public interests (van Thiel, 2000). These organizations mostly are a result of the New Public Management reforms undertaken by many governments during the 1980s and 1990s (Barzelay, 2001; Bovaird & Löffler, 2003; Lane, 2000; Osborne & Gaebler, 1992; Pollitt, 1990; Walsh, 1995).

Policy making was then split from delivery and the provider of a service did not necessarily also need to be the party funding it. New Public Management propagated the implementation of policies through a collection of independent service units, ideally in competition with each other. As a result, also public organizations entered the market place and became hybrid. Their hybrid status is now emphasised in the network society by the shift from government to governance, as organizations providing public services now have to interact more closely than before with society (Bovaird & Löffler, 2003; Brandsen, van de Donk, & Kenis, 2006; Castells, 1996; Kickert, Klijn, & Koppenjan, 1997; Koppenjan & Klijn, 2004; Löffler, 2003; Perrini, 2006; Pierre & Peters, 2000; Rhodes, 1997).

3. Dimensions of hybridity

3.1 Public versus private

The hybrid organizations I deal with in this paper transcend the distinction between public and private, one of the “grand dichotomies” of Western political thought (Bobbio, 1989), that divides our world into two exhaustive and mutually exclusive spheres, subsumes all other distinctions and makes them secondary. Different definitions of public and private are possible, as there is “[...] no single clear distinction between public and private but rather a series of overlapping contrasts [...]” (Geuss, 2001, p. 6). This is mainly due to this dichotomy's normative and therefore political character: we can employ it to determine questions about visibility (what is or should be hidden/withdrawn versus what is or should be open, revealed, accessible) and collectivity (what is or should be individual versus what is or should be collective) (Weintraub, 2007, p. 5).

In this paper I define public following Hobbes and Bentham as the state catering to the “need for a coercive agency standing above society” and private following Locke and Smith as “the ‘natural’ harmonization of self-interest” on the market place (Weintraub, 2007, p. 9). To juxtapose these two ideal types in a strict dichotomy poses a problem, however (Dahl & Lindblom, 1953; as cited in Rainey & Chun, 2007, pp. 73–4), as “[s]ince human societies formed, there have always been complex
relations and interplay between purportedly private economic activity and governmental entities.” (Rainey & Chun, 2007, p. 73). Government and business organizations often cooperate with each other and there are many functional analogies. Also, by treating public and private as two mutually exclusive categories, the emergence of hybrid organizations that are both, public and private, can not sufficiently be explained. To do so, the distinction between public and private has to be seen not as a dichotomy but as a continuum of several dimensions.

3.2 Constructing a continuum
A first step in the construction of this continuum is to define its poles. One way of doing so, is the distinction made by Dahl & Lindblom (1953) between agencies as ideal-typical governmental organizations on the one hand and enterprises, or ideal-typical business firms, on the other (cf. Rainey, 1997, pp. 61–3; Rainey & Chun, 2007, pp. 75–6). 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.

Since they first described it in the 1950s, many authors have refined Dahl and Lindblom’s distinction, by contrasting agencies and enterprises with one another. An exhaustive overview of the differences between ideal typical public and private organizations can be found in Rainey & Chun (2007). According to them, agencies differ from enterprises with regard to their environment, their organization-environment transactions and their organizational roles, structures and processes. In the following sections, we will shortly deal with each of these points.

Distinctive environmental factors
The first set of possible differences between ideal-typical public and private organizations (as summarized by Rainey & Chun) concerns the setting or environment agencies operate in. They lack economic markets for their outputs and rely on governmental appropriations for their financial resources. Compared to enterprises, agencies operate under greater external control by politically constituted authority and have to deal to a greater extent with the presence of elaborate and intensive formal legal constraints as a result of oversight by various branches of government as well as courts. A final distinctive environmental factor distinguishing ideal-typical task from ideal-typical market organizations, concerns the presence of more intensive external political influences in the public sector. Agencies not only have to deal with greater political influences on their decisions, they also are in greater need to acquire political support from various other stakeholders, such as client groups and constituencies, for their actions.

Organization-environment transactions
A second set of differences between ideal-typical task and market organizations refers to the nature of their interactions with their environment. Agencies often produce public goods, which means that their outputs are not readily transferable to economic markets at a market price. Their activities are also often coercive, monopolistic and unavoidable, given the unique sanctioning and coercive power of government as the sole provider. They also often have a broader impact and greater symbolic significance than the activities of ideal-typical enterprises, which leads to greater public scrutiny of public managers and unique expectations concerning good governance, based on ideal-typical public values such as fairness, responsiveness, honesty, openness, and accountability.
Organizational roles, structures and processes

This final set of differences between ideal-typical agencies and enterprises Rainey & Chun collected, relates to roles, structures and processes. Ideal-typical public organizations have to deal with greater ambiguity, multiplicity and conflict than their private counterparts. Ideal-typical public managers have, for a start, to play more political, expository roles than private managers, which results in a greater challenge to balance external political relations with internal management functions. They also have less decision making authority as most important decisions about their organizations are made by politics.

Ideal-typical agencies are said to have more red tape and more elaborate bureaucratic structures than agencies and are also said to be driven by different sets of organizational values. This point is elaborated by Jacobs who distinguishes between two different “ethical systems” or “moral syndromes”, a commercial and a guardian one (Jacobs, 1992, pp. 23–4). Both are driven by different sets of values (see Table 1). Whereas trading is the central value in the commercial syndrome (which applies to the private sector, but also to science), taking is that of the guardian syndrome (which applies for government ministries, the armed forces and the police, as well as commercial monopolies, political parties and organized religions).

In the ethical system of the guardian, trading and other commercial activities are shunned. It is a culture which thrives on tradition, obedience, discipline, hierarchy and loyalty and in which expert knowledge gives power. The guardian syndrome also has its dark side. Vengeance and deception are permitted, as long as they are in the sake of the task at hand or, to put it differently, in the public interest. Other values, which are not necessarily virtues but are core to the guardian syndrome, are the rich use of leisure (or laziness, if one wants to be cruel), ostentation, exclusivity and fatalism. Honour, largesse and fortitude also are important.

In the commercial moral syndrome the use of force is shunned. This culture is all about cooperation, honesty and the abiding of contracts, as well as about competition, initiative and enterprise, innovation and efficiency. Comfort and convenience are important too, as are industry, thrift and optimism. It is alright to disagree as long as that serves the task at hand. Financial investments are aimed at increasing productivity.

**Table 1 A pair of contradictions (Jacobs, 1992, pp. 23–4)**

<table>
<thead>
<tr>
<th>Public values (guardian syndrome)</th>
<th>Private values (commercial syndrome)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shun trading</td>
<td>Shun force</td>
</tr>
<tr>
<td>Expert prowess</td>
<td>Come to voluntary agreements</td>
</tr>
<tr>
<td>Be obedient and disciplined</td>
<td>Be honest</td>
</tr>
<tr>
<td>Adhere to tradition</td>
<td>Collaborate easily with strangers</td>
</tr>
<tr>
<td>Respect hierarchy</td>
<td>Compete</td>
</tr>
<tr>
<td>Be loyal</td>
<td>Respect contracts</td>
</tr>
<tr>
<td>Take vengeance</td>
<td>Use initiative and enterprise</td>
</tr>
<tr>
<td>Deceive for the sake of the task</td>
<td>Be open to inventiveness and novelty</td>
</tr>
<tr>
<td>Make rich use of leisure</td>
<td>Be efficient</td>
</tr>
<tr>
<td>Be ostentatious</td>
<td>Promote comfort and convenience</td>
</tr>
<tr>
<td>Dispense largesse</td>
<td>Dissent for the sake of the task</td>
</tr>
<tr>
<td>Be exclusive</td>
<td>Invest for productive purposes</td>
</tr>
<tr>
<td>Show fortitude</td>
<td>Be industrious</td>
</tr>
<tr>
<td>Be fatalistic</td>
<td>Be thrifty</td>
</tr>
<tr>
<td>Treasure honour</td>
<td>Be optimistic</td>
</tr>
</tbody>
</table>
3.3 Dimensions of hybridity
Having defined the extremes of the public-private continuum as the agency and the enterprise, we have to find ways of how to arrange different forms of organization in between these two poles. There already are several models for doing so, of which some are one-dimensional (Dahl & Lindblom, 1953; Fottler, 1981) and others multidimensional (Bozeman, 1987; Evers, Rauch, & Stitz, 2002; Perry & Rainey, 1988; van Thiel, 2000; Wamsley & Zald, 1973). In my PhD-research I synthesized these models into one, multi-dimensional model, that consists of ten dimensions. These were clustered for clarity’s sake into the following three groups: (1) structure and activities, (2) values and strategy and (3) governance and politics.

Structure and activities
The dimensions in this cluster tell us more about the principal as well as about the activities of the organization. They are:

- **Legal form:** this dimension deals with the degree to which an organization’s legal form is governed by public or by private law.
- **Ownership:** this is the continuum between full governmental and full private ownership.
- **Activities:** this is the continuum between a complete focus on statutory or public tasks and one on private, commercial activities.
- **Funding:** this is the continuum between 100% governmental appropriation and 100% private funding.
- **Market environment:** this is the continuum between a monopolistic and a competitive market environment.

Strategy and culture
The dimensions in this cluster deal with questions concerning the organization’s overall strategic outlook and its value system. They are:

- **Strategic orientation:** the continuum between a strategic orientation totally aimed at government and one totally aimed at the market.
- **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.

Governance and politics
The dimensions summarized 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:

- **Relationship with political principal:** the continuum between a relationship based on public and one on private law.

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1 A research team at the Dutch Court of Audit which I was part of developed a similar synthesized multidimensional model when writing a report on public entrepreneurship in the Netherlands (Algemene Rekenkamer, 2005, further developed in Algemene Rekenkamer, 2006). The multidimensional model used in this dissertation can be seen as a further development and refinement of this model.
• **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)

• **Executive autonomy:** on this dimension I score whether an organization has little or much autonomy in how it conducts its activities.

### 3.4 Charting hybrid organizations

An organization can be defined as being hybrid if it is on one or more of the above mentioned dimensions a mixture of public and private. However, given the many interrelations between the public and the private sector, the number of organizations that are hybrid on one or a small number of dimensions, is quite substantial. It is therefore necessary not only to take into account whether an organization mixes public and private but also the intensity of this mix, which I define as an organization’s *hybridness*. This hybrid thumbprint of an organization can be illustrated by scoring it on a spider chart, for example by using the following scores: completely public (0), mostly public (2), somewhat public (4), halfway between public & private (5), somewhat private (6), mostly private (8) and completely private (10).

Doing so obviously is no exact science and the *raison d’être* of such charts not to pretend that it is possible to come to an absolute measure of an organization’s degree of hybridity. They can however be used to compare different organizations or one organization at different points in time and as indicative-diagnostic tool to highlight those dimensions on which an organization’s hybrid status can be expected to cause tensions. As such, they are meant to start a further discussion (especially within the organization in question) about an its hybridity, not to end it.

A hypothetical organization, represented as only a dot at the centre of the chart, would be 100 % public on all of the dimensions featured before. As the surface area grows, the organization becomes more private to the maximum of covering the full chart, which represents an 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 3.
However, reality is far messier and such perfect hybrids are only rarely to be found. Most hybrid organizations do not score evenly on all dimensions but rather show heterogeneous scores. Figures 4 and 5 show examples of such heterogeneous hybrids.\(^2\)

Figure 4 visualizes a hybrid organization that is a municipal service. It conducts some activities for commercial customers but still generates most of its revenues by executing tasks on behalf of its municipality. Its culture still is more bureaucratic than entrepreneurial and the organization’s strategy is mostly aimed at the public sector. The organization’s director only has limited autonomy concerning how he runs the organization and how it conducts its services.

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\(^2\) These examples are fictitious but were inspired by real-life cases.
Figure 5 visualizes a quite different organization. This hybrid organization has been put at arm’s length as a quango. A governmental department still is its principal but it already conducts most of its activities for private partners and hence generates a substantial amount of its income from commercial activities. This organization operates in a competitive market environment and embraces commercial values and strategy. The organization’s CEO has a considerable amount of managerial as well as executive autonomy.

Both the organizations visualized in figures 4 and 5 are hybrid organizations. However, they differ from one another in regard to their hybridness, which is more intense for the latter than the first. Besides descriptively, as a way to compare organizations, these spider charts can also be used as an indicative-diagnostic tool to highlight those dimensions on which an organization’s new hybrid status can be expected to be either beneficial or hazardous. Take the organization visualized in figure 4 for example, which is hybrid on the dimensions concerning its activities, funding, market environment, value and strategic orientation as well as those concerning its managerial and executive autonomy. Based on these observations, we might expect that the positive and negative effects of its hybridity will also occur on these dimensions. I will develop this point further, by looking at the possible positive and negative effects of hybridity in the next section.

4. The effects of hybridity

The Dutch debate about hybrid organizations as it has raged (and still does) since the 1990s can serve as an ideal point of departure for a discussion about the tensions due to hybridity and their effects, as it has instigated academic research about this subject. This research can be roughly divided into three stages (Brandsen & Karré, 2010):

- During the first period, which about covers the 1990s, several public agencies were autonomized and managerialism was introduced in public service provision. Topics for discussion during this era were how to manage and regulate these new autonomized organizations. Hybridity was by most commentators seen as a nuisance as it made it more complicated for government to exert control on organizations that operated at arm’s length.
Hybridity was, in other words, seen by many as a dangerous force undermining the primacy of politics.

- During the second period, which spanned the noughties or the first ten years of the 21st century, hybrid organizations had become a *fait accompli*. Besides being vilified by some, they now were embraced by others, especially as the governance trend set in. Organizations in the Third Sector were rediscovered as agents in the provision of public services. In much of the literature dealing with hybridity from this angle, a certain nostalgia can be read for the times when not government but the Third Sector was in charge of producing most public services.

- More recently hybrid organizations have become mainstream. The (academic, if maybe not political and societal) debate about hybridity now focuses less on normative ideas but rather on how hybrid organizations function in practice.

Two schools of thought oppose each other in the Dutch debate on hybrid organizations. 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; in ’t Veld, 1995, 1997a, 1997b, 2003, 2005; Meijerink, 2005; Mouwen & van Bijsterveld, 2000; Sociaal-Economische Raad, 2005, 2010; van Montfort, 2008; Wetenschappelijke Raad voor het Regeringsbeleid, 2004). 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.

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, 2005, 2008; Stevens, 1997, 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.

In the following sections of this paper, I will look at the arguments brought forward in the synergy and corruption arguments more thoroughly. I will also link them to the graphical representation of hybrid organizations developed earlier, by describing on which dimensions of these spider charts they are most likely to occur.

### 4.1 The synergy argument

Advocates of hybridity see hybrid organizations as effective *boundary spanners* that, by bringing public and private together, create synergy and innovation, which leads to the following economic, performance related, cultural and governance related benefits.

#### Economic benefits

Hybridity can benefit an organization’s financial and economic position by for example getting access to new markets. This is, for example, one of the possible positive effects of hybridity mentioned by several practitioners interviewed by the Dutch Court of Audit during its audit of several hybrid organizations (Algemene Rekenkamer, 2005).
We can expect the economic benefits of hybridity to be most profound in organizations, that are hybrid on those dimensions in the model described before that deal with an organization’s structure and activities, as it is by undertaking activities for other customers than the public principal that the organization will gain access to new markets and new sources of funding.

**Performance related benefits**
Hybridity can also have a positive effect on an organization’s performance, as it can, as for example In ‘t Veld (1997a) as well as the practitioners interviewed by the Court of Audit (2005) point out, serve as an incentive to increase effectivity.

We can expect the performance related benefits of hybridity to be most profound in organizations, that are hybrid on those dimensions in the model described before that deal with an organization’s structure and activities, as behaving in an efficient and effective manner can be seen as an important prerequisite to also successfully perform tasks and services for commercial customers, which are maybe more inclined than an organization’s public principals to demand value for money.

**Cultural benefits**
Hybridity is by its advocates seen as an incentive to combine the best of both worlds by bringing the most prominent values of the public and the private sector together. Mouwen and Van Bijsterveld (2000) see this as a major goal for hybridity and In ‘t Veld (1997a) claims that introducing private sector values will also help make public sector organizations more customer-oriented.

We can expect the cultural benefits of hybridity to be most profound in organizations, that are hybrid on those dimensions in the model described before that deal with an organization’s structure and culture, as those deal with the mixing of public and private values. Based on the arguments brought forward by hybridity’s advocates, we can expect a positive effect due to this mix.

**Governance related benefits**
Hybridity is by its advocates seen to have a positive effect on an organization’s relationship with its political principals and, via these representatives, also with society as a whole. In ‘t Veld (1997a) for example claims that hybridity can serve as an incentive for more effective governance through plural accountability regimes, mixing vertical supervision by the principal with horizontal accountability to customers.

We can expect the governance related benefits of hybridity to be most profound in organizations, that are hybrid on those dimensions in the model described before that deal with an organization’s governance and politics. According to the advocates of hybridity, mixing several accountability regimes will lead to more effective oversight of an organization.

**4.2 The corruption argument**
Adversaries of hybrid organizations see introducing market elements into the provision of public services as a form of corruption and warn that public interests will not be able to hold their ground opposite commercial interests. Hybridity leads in their view to the following economic, performance related, cultural and governance related risks.
**Economic risks**

Hybridity can lead to economic risks, warn both the taskforce Cohen (MDW-werkgroep markt en overheid, 1997) but also In ‘t Veld (1997a). These concern 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.

We can expect the economic risks of hybridity to be most profound in organizations, that are hybrid on those dimensions in the model described before that deal with an organization’s structure and activities. The adversaries of hybridity warn, that organizations will do nearly everything to increase their market shares and bring in new (and especially more) money, even if they can only do so by distorting competition (by using public money to cover commercial losses, for example).

**Performance related risks**

Hybridity is, for example by Simon (1989), De Jong (1998) and Stevens (1998), also seen as a negative influence on an organization’s performance. Because of hybridity, these authors claim, organizations get contaminated with “the money virus” (Simon, 1989, p. 88) which will make them neglect their public tasks in favour of their commercial activities. Several authors describe this situation by a modified version of Gresham’s law: commercial activities drive out public (statutory) tasks³.

We can expect the performance related risks of hybridity to be most profound in organizations, that are hybrid on those dimensions in the model described before that deal with an organization’s structure and activities. The suspicion here is that hybrid organizations will put so much time and energy into their commercial activities, that they will forget and neglect their original core activity, providing a public service.

**Cultural risks**

All commentators agree that hybridity leads to 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. Most hybrid organizations, as for example Simon (2008) writes, also try to attract new employees with a business background as their current employees are seen to lack the necessary skills and attributes to also engage in commercial activities. These new employees often have trouble fitting into the old organization, as they speak another language concerning its quality and the price of production. Conflicts between these new employees and an organization’s veteran staff can also arise when the former are paid more than the latter because of their specialist knowledge and skills.

We can expect the cultural risks of hybridity to be most profound in organizations, that are hybrid on those dimensions in the model described before that deal with an organization’s strategy and culture. The adversaries of hybridity see public and private values as fundamentally incompatible (whereas its advocates believe that it is possible to combine the most noble values of each culture to create synergy).

³ Gresham’s original law is *Bad money drives out good*. It states that any circulating currency consisting of both good and bad money (both forms required to be accepted at equal value under legal tender law) quickly becomes dominated by the bad money. This is because people spending money will hand over the bad coins rather than the good ones, keeping them for themselves. Legal tender laws act as a form of price control. In such a case, the artificially overvalued money is preferred in exchange, because people prefer to save rather than exchange the artificially demoted one (which they actually value higher).
**Governance related risks**

Stevens (1997, 1998) and Gradus (2005) also warn about possible governance related risks of hybridity. Putting an organization at arm’s length and allowing it to enter the market place, they claim, will lead to it developing an own identity and opportunistic behaviour. As hybrid organizations mostly focus on their own interests, they become less dependable partners for their political principals in the provision of public services.

We can expect the governance related risks of hybridity to be most profound in organizations, that are hybrid on those dimensions in the model described before that deal with an organization’s governance and politics. By releasing their grip on these organizations, for example by putting them at arm’s length (which grants an organization’s management more autonomy and power), political loses its paramount position in the provision of public services, the critics claim.

### 4.3 An evaluation of both approaches

The arguments brought forward by hybridity’s advocates and adversaries can be summarised as follows:

<table>
<thead>
<tr>
<th>Benefits of hybridity</th>
<th>Risks of hybridity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic aspects</td>
<td>Increased turnover and profit</td>
</tr>
<tr>
<td>Performance related aspects</td>
<td>Increased efficiency and effectiveness</td>
</tr>
<tr>
<td>Cultural aspects</td>
<td>Increased consumer-orientation</td>
</tr>
<tr>
<td>Governance related aspects</td>
<td>More effective governance</td>
</tr>
</tbody>
</table>

So what to think of the arguments brought forward in favour and against organizational hybridity? The Dutch discussion on hybridity is peculiar on two counts. First, for most of its course it was rather normative, as those believing in the benefits of hybridity were at loggerheads with those that warned about its risks. Admittedly, the believes of both groups are plausible enough. However, most arguments used both by advocates and adversaries of hybrid organizations were based mainly on anecdotal evidence and only for a limited part on scientifically collected and analyzed empirical data. Hybridity has proven to be such an emotional subject, with everybody viewing it, to borrow a phrase coined by In ‘t Veld, through the veil of his or her values, that most of the discussion so far has centered around the question *What do we have to think about public organizations entering the market place?* instead of on the more fundamental question of *What is actually happening when agencies start employing commercial activities?*

A second, quite intriguing peculiarity of the Dutch discussion is that opponents as well as advocates of hybrid organization adopt a rather one-sided view. In their eyes, hybridity can *either* have positive *or* negative effects, whereas I find they are 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. Hybridity truly is a heads *and* tails issue, as I will try to illustrate below.
Managers of hybrid organizations often cite increased turnovers and profits as positive effects of hybridity and their organizations can surely benefit economically from a more entrepreneurial course. Whether an organization’s improved financial position is also positive for the government that owns it or for the citizen who depends on the services it provides, is debatable. After all, if the hybrid organization turns a profit, even though this is public money, it is not part of the public purse and not at the disposal of public budgeters. So an organizational benefit due to hybridity does not necessarily be beneficial for government or the public as a whole.

Whether the competitive advantages a hybrid organization might have are interpreted as positive or negative, seems to me a matter of interpretation. I can understand that their private competitors, guarding their own business interests, often claim that hybrid organizations have unfair advantages on the market place as they are linked with governments. But from a political standpoint or that of the citizen, unfair competition can be desirable or is not perceived to be a problem because it has beneficial effects for the public, as there are often other motivations for choosing the public option than cost alone (such as creating local jobs or working to a higher (eg, environmental) standard than a commercial competitor can provide).

Hybridity's performance related effects too are in fact two sides of the same coin. Managing an organization in a more businesslike manner can increase its effectivity and efficiency and thus save money. But some commentators point out that efficiency should not be the only goal in public service provision. For example, more businesslike home care has been criticized for providing a stripped-down service, focused on providing only those tasks mandated by contract, in as little time as possible, and thereby ignoring the real needs of patients. Another flipside of a more businesslike approach is that a hybrid organization might be tempted to put more energy into providing commercially more interesting services to its private customers, and thereby neglecting its public customers.

There are two sides to hybridity’s alleged cultural effects as well. Introducing market values in public organizations can have a positive effect as it increases customer-orientation. But behaviour appropriate on the market place, such as always choosing the cheapest or most profitable option, is not necessarily beneficial in a public setting. Furthermore, not all employees of an organization might be capable of working in an entrepreneurial fashion and might be triggered to leave. Again this can also be seen as a positive effect, as it cuts the organization’s dead wood.

Finally, also the governance related effects of hybridity brought forward in the Dutch debate seem to me to be different sides of the same coin. Often its new hybrid status leads to the professionalization of an organization’s governance, for example by the introduction of a supervisory board and by basing its relationship with its public principals on clear, enforceable contracts. This can also be interpreted in a negative way, as government has less say on how the organization provides its services and how it spends what is in essence public money.

Both benefits and risks have a flipside, which makes it impossible to state from the outset whether hybridity will be a salvation or an abomination. All depends, it would seem, on how hybridity is dealt with or managed. The model described earlier in this paper can help to start a discussion about the best approach of such management (see Karré (2011) for an illustration of how this can be done. In
this study, I used the model to discuss the hybridity of organizations in the waste management sector).

5. Conclusions and discussion
At the beginning of this paper I referred to the hybrid realm of society as lying in the middle of Van de Donk’s societal triangle. Each of the corners of this triangle represents another societal domain (the state, the market and the community) with a distinct coordination mechanism at play (coercion, free exchange of goods and services, love). In each domain other values are paramount and other behaviour is expected or rewarded. At the corners of the triangle there is no mix of values or coordination mechanisms. Also, organizations situated there only have homogenous external relations. In other words, they only deal with others like themselves.

This all changes when we venture into the middle of the triangle. There lies the area which I call the hybrid realm (and Billis describes as nine hybrid zones) and in which we find hybrid organizations. They have to combine the different (and often conflicting) coordination mechanisms and values of each of the three sectors in one way or another. Their external relations are also more likely to be heterogeneous. This is by the way not a situation only hybrid organizations have to deal with. It applies in a more general sense to all sorts of multicultural relationships.

How we judge hybrid organization depends 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 cannot 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 I expect it to be on the way out soon. This is mostly due to the changes in the world around us which mean that government has no choice but to ask other parties in dealing with the wicked issues society at large face.

The discussion we need to have now is not 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.

This is also (or maybe even especially) a task for us academics that deal with hybrid organizational forms. In order to start a discussion about our role in dealing with hybridity at our meeting in Barcelona, I conclude with the following recommendations, which will hopefully serve as a good starting point for our discussions. The first two points of recommendation are more fundamental:
Refrain from gross oversimplifications
As questions about public and private touch on important normative and political values and beliefs, the political and societal debate about hybrid organizations in the Netherlands (but I expect also in other countries) is often conducted in a simplistic, black and white manner. Unfortunately many academics have chosen to participate in this debate in the same vein by treating ideal-types (i.e., the public and the private organization) as absolutes and not as abstract and hypothetical concepts aimed at facilitating comparison and dialogue. In reality, such constructs do not exist: organizations are far messier. It is academia’s duty as well as its added value to keep pointing this out in any discussion about hybridity. This will enrich the societal and political debate about hybridity and will ensure that it keeps closer track with reality.

Refrain from ideological statements
Next to often oversimplifying the world by treating organizational ideal-types as real-life forms, many academics often also fall foul of a second fallacy when discussing hybridity, as they do not refrain from ideological statements. Instead of describing the reality of hybrid organizations, they describe what they would like the world to look like according to their own ideological beliefs or present us with equally unrealistic horrors scenarios. Rather than participating in ideological and essentially pointless debates (after all, hybrids are here to stay), academics should invest their time and energy in devising ways of how hybridity’s negative effects can best be managed and how its positive effects can be amplified.

The following four points are recommendations on how academics can contribute to a debate about hybrid organizations that is more thoroughly thought through, less simplistic and less ideological:

Examine how hybrid organizations differ by sector
I think it is a positive development that the scientific research on hybridity has recently started to make a shift from a more conceptual and normative approach towards one in which more emphasis is put on what hybridity means in organizational practice (see for an overview of the most current literature on hybrid organizations Brandsen & Karré, 2010; Brandsen & Karré, 2011) But much more work still needs to be done. More research is needed on how hybrid organizations differ by sector. The multidimensional model of a hybrid organization constructed in this paper can help to generate new insights in how hybrid organizations look like in various contexts and whether and how the effects differ of their hybridness. In my own PhD-thesis I already used it to describe hybrid organizations in the Dutch waste management sector (Karré, 2011)

Undertake more international comparisons
It is important to conduct more international comparisons of hybrid organizations. By doing so, a systematic body of knowledge can be built up. International comparisons enable us to learn from good practices elsewhere. Such international comparative research should take into account the effect of European Union regulations and policies towards hybrid organizations.

Undertake more inter- and multidisciplinary research
Second, we also need more inter- and multidisciplinary research, teaming up, for example, scholars in public administration or political sciences with economists and legal scholars. In the past, at least in the Netherlands, most research on hybrid organizations has been undertaken in the field of public administration. This is understandable with regards to how hybrid organizations have come on the
scientific agenda in the 1990s due to the New Public Management reforms undertaken by many a government and later due to the trend from government to governance. It is now time to broaden the insights generated in public administration with that of other disciplines. That this is already happening to some extent, is in my opinion a step into the right direction.

**Develop a better understanding of the positive and negative effects of hybridity**
More work has also to be invested in studying the positive and negative effects of hybridity. It is important to know under which circumstances or conditions either of them will manifest themselves. The indicative diagnostic tool described in this paper should be a valuable aid in doing so. As soon as we discovered what exactly causes positive and negative effects, we can devise strategies on how to maximize the first and mitigate the latter.

**Examine the role hybrid organizations can play in a world of scarce resources**
The aftermath of the financial and economic crisis that grips the world since 2007, has also triggered a debate on the future of governance and the relationship between market, state and civil society. The state, which lost much ground during the last twenty odd years, is called to step up to the plate. But it seems to have lost its capacity to act as regulator of globalized markets and as a provider of public services in times when financial resources are scarce (whether due to industry bail-outs, demographic time bombs and environmental vulnerabilities). There not only are severe worries about ‘the state of the state’ but also about its capability to tackle the major challenges of today’s society, even more so as we have lost trust in the market as an alternative. More research should be undertaken to examine the role hybrid organizations can play in such a world of scarce resources, as hybrids could (as I already alluded to in the introduction) be indeed a viable middle-way between state and market.
Sources


