Heads and tails: both sides of the coin: an analysis of hybrid organizations in the Dutch waste management sector

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Citation for published version (APA):
1. Introduction: The Netherlands as a hybrid society

1.1 The hybrid realm

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 1.1). 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 1.1 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 hybrid organizations are to be found, which can most broadly be defined 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 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 describe this hybrid realm as the Third sector or civil society (*‘maatschappelijk middenveld’* in Dutch), 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 et al., 2005).

This conceptualisation 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 1.2). Taken together, these zones constitute what I call the hybrid realm at the centre of society.

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 (see chapter 2 for more on this):

- 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.

*Figure 1.2 The three sectors and their hybrid zones (Billis, 2010a, p. 57)*

In the Netherlands there is also a tradition of public/private (zone 3) and private/public hybrid organizations (zone 7). An example of the latter would be the Dutch East India Company (VOC) and an example for the first the various kinds of quangos we can find in the Netherlands both on the local as well as on the national level. Below I will describe them and their hybridness in more detail, beginning with the VOC.
1.1.1 Private organizations with sovereignty

The Dutch East India Company or VOC (in some circles still a source of much pride)\(^1\) is maybe the most famous Dutch example of a private organization with sovereignty (cf. R. in ’t Veld, 2005). Established in 1602 as a chartered company it acquired the monopoly to trade in the Indian Ocean area from the Dutch Republic (Gaastra, 2007; Den Heijer, 2005). Nominally under control of its license back home, this private organization quickly began to become a force in itself, using the sovereignty it had been granted to take on the trappings of the state (cf. Singer, 2008, p. 34).

Its hybrid character proved to be the VOC’s success formula, as an entry in a *Universal Dictionary* from 1751 acknowledged:

‘One of the reasons why the Dutch East India company flourishes, and is become the richest and most powerful of all others we know of, is its being absolute, and invested with a kind of sovereignty and dominion. … [it] makes peace and war at pleasure, and by its own authority; administers justice to all; … settles colonies, builds fortifications, levies troops, maintains numerous armies and garrisons, fits out fleets, and coins money.’\(^{17}\) (quoted in Neal, 1993, p. 196).

The VOC was a very lucrative endeavour for its shareholders and for Dutch society as a whole. After 1634, the company paid an annual dividend which fluctuated between 12 and 50 percent on the original investment (Singer, 2008, p. 36). This amassment of wealth helped pay for the Netherlands’ Golden Age of the 17th century, in which Dutch science and art were among the most acclaimed in the world.

But outsourcing sovereignty to the VOC also had negative effects as the company engaged in activities that ran contrary to the national interests of the Dutch Republic. Together with its sister, the Dutch West India Company, it for example at the beginning of the 1600s not only dragged the country into an ill-judged and prolonged war with the Portuguese in Brazil but also lobbied hard against a peace treaty, as trading in times of war proved to be far more profitable than at peace (cf. Singer, 2008, p. 36).

Widespread corruption led to the final demise of the VOC. In 1799 it was nationalised after going bankrupt the year before.

The Dutch East India Company is, admittedly, a rather extreme example of a hybrid organization, not only financially and geographically but also because its own fate and

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\(^1\) In 2006, prime minister Jan-Peter Balkenende, a Christian-Democrat, for example praised the VOC for seeking opportunities across borders. He later had to apologize for these remarks after criticism and demonstrations by anti-slavery groups.
that of the Dutch Republic were so closely intertwined. It highlights, however, the ambiguous character of organizations operating at the interface between state and market as combining public and private can create synergies but can also be quite a risky business.

Today we can still find many private organizations with sovereignty, especially in the fields of warfare and security. The ongoing conflicts in Iraq and Afghanistan have brought the activities of mercenaries and other private armies to our attention once again (cf. Singer, 2008). And also in the Netherlands many tasks which in the past were carried out by the police, are now provided by private security companies (Van Steden, 2007).

1.1.2 Quasi-autonomous non-governmental organizations

A form of hybrid organization that evolved out of the domain of the state is the quasi-autonomous non-governmental organization, or quango for short. These are organizations which, as their main task, are charged with the implementation of one or more public policies, and which are funded publicly but operate at arm’s length of government, without an immediate hierarchical relationship with politics or the civil service (adapted from Van Thiel, 2000, p. 5).

There are several forms of quangos in The Netherlands, both on the national as well as on the local level. On the national level we find (1) contract agencies (agentschappen or baten-lasten diensten), which are quasi-autonomous units within government (internal autonomization) that still are under full ministerial accountability, (2) public bodies (‘zelfstandige bestuursorganen’, ZBOs), which are quasi-autonomous organizations outside government (external autonomization) and for which ministerial accountability is limited to policy design and regulation, (3) voluntary or charity organizations that also receive public funding (which can be Third Sector organizations) and (4) state-owned enterprises (SOEs) which are fully or partially owned by governments (Van Thiel, 2000, p. 6).

Also on the local level a plethora of quangos can be found (Van Thiel, 2001). Parts of municipal governments can be granted some autonomy while the alderman still remains fully accountable for its actions (eg, by using forms of self management or contract management or by establishing a municipal enterprise).² It is also possible to establish quasi-autonomous organizations outside the municipality for which the alderman’s accountability is limited. These can either have a public legal form (such as

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² In Dutch, a municipal enterprise is a ‘tak van dienst’ (Van Thiel, 2001, p. 33).
committees or local joint ventures) or a private legal form (such as foundations and corporations).

National and local forms of quangos can not be fully compared to each other, but municipal organizations that were granted some autonomy (eg, by introducing self management) come closest to contract agencies on the national level (Van Thiel, 2001, p. 22). Municipal enterprises resemble state-owned enterprises, and quasi-autonomous organizations outside municipalities resemble public bodies (Van Thiel, 2001, pp. 33-4).

There are several reasons for establishing quangos (cf. Frissen et al., 1992, pp. 6-7). One normative motivation is to give politicians the opportunity to focus on their core activity of making policy and by doing so strengthen the so-called primacy of politics. Another, less normative and more instrumental motivation comes from the idea that running public organizations like businesses will make them more cost-conscious, efficient and professional, that it will bring the delivery of public services closer to the citizens and that it will increase quality.

Quangos can be found in all policy fields. In 1993, there already were more quangocrats than normal civil servants (Van Thiel, 2000, p. 39). In 2004 there were 630 public bodies and 38 contract agencies on the national level and in total about 2500 private organizations that provided public services (Schillemans, 2007, p. 36). There are no such precise figures for organizations at the local level, though Van Thiel’s

3 Art. 82 of municipal law grants a local council the right to establish such committees which can be given several responsibilities, except policy making and budgeting.
4 These are the so-called ‘gemeenschappelijke regelingen’.
5 ‘Stichtingen’ are non-profit organizations with charitable purposes.
6 One or more municipalities can hold shares of a ‘besloten vennootschap’, which is a private limited liability company. Municipalities can also hold shares in a ‘naamloze vennootschap’, which is a public limited liability company whose shares are traded on the stock market.
7 This concept, which is in Dutch referred to as ‘primaat van de politiek’, entails a clear division of tasks between politicians, civil servants and civil society. It is based on the normative idea that politicians should be the sole source of policy and that its implementation can be left to other parties, be they public or private.
8 These organizations are referred to as ‘rechtspersonen met een wettelijke taak’ (abbreviated as RWTs). They are private legal entities that employ statutory tasks, such as the organizations providing public service broadcasting as well as Dutch hospitals and schools. The distinction between RWTs and other forms of quangos is not very clear (for example, some ZBOs are RWTs, whereas others are not) but is of no practical importance for this dissertation. The term RWTs is mainly used by the Dutch Court of Audit to describe those private organizations the Court is, according to Dutch jurisdiction, also allowed to audit.
description of municipal quangos shows that their impact should not be underestimated.

Since being autonomized, many quangos both on the national as well as on the local level not only provide public services in a more businesslike manner, but also offer goods and services on the market place. This is, after all a logical consequence of their position at arm’s length and has in some cases actively been encouraged by government to substitute for diminishing public funds. These market activities also made good business sense, especially in cases when an organization’s capacity was not fully used by its public tasks.

However, this development, together with the more general belief in some circles that government is no business and hence should not be run as such (see for example Ankersmit & Klinkers, 2008), led to fierce criticism over the years and several normative responses by government (see 1.3.1).

1.1.3 Hybrid quangos in waste management as subject of this dissertation

In the rest of this dissertation I focus on the hybrid quangos that can be found in zone 3 of Billis’ model (originally public organizations that venture into the market place) as the Dutch debate about the benefits and risks of hybridity (see 1.3) mainly centred around them. However, this does not mean that all that follows is of no consequence for all other organizations that can be found in the hybrid realm of society. The general challenges they face are the same, though how they manifest themselves in practice may differ from one hybrid organizational form to the other.

In the preceding section, I explained that quangos can be found in all policy fields, which illustrates the broad impact of hybridity. However, I decided to limit my discussion in this dissertation to the quangos in only one domain, that of waste management. The rationale behind this decision was to limit the danger of comparing apples and oranges, by not taking the differences of institutional regimes in each sector into account.

Organizations in waste management safeguard important public interests concerning health issues, economic development and environmental protection. And waste is big business too. More and more originally public waste management organizations now also collect, recycle and dispose waste of businesses and have become important competitors of commercial waste management companies.

This does again not mean that what follows does not apply to quangos operating in other policy fields, as waste management can be compared to many other sectors of economy with a comparably large role played by governments.
I continue this introductory chapter with a short history of how hybrid organizations were used in public service provision in The Netherlands. I will also describe hybrid organizations as contested but unknown phenomena and will discuss whether hybridity is merely a Dutch phenomenon. After a description of the societal as well as scientific relevance of this research, I will present my general research question which I divide into several analytical as well as empirical specific research questions. An outline of my dissertation concludes this chapter.

1.2 A short history of public service delivery in The Netherlands

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.

I will illustrate this point by providing a short history of public service provision below. I will first describe how many organizations providing public services in The Netherlands were originally established by private initiative, either by entrepreneurs looking for a profit or by religious and ideological groups striving for autonomy. The Dutch state only significantly increased its role in public service provision after the Second World War, creating a public sector which was one of the biggest worldwide at the beginning of the 1980s. When it could not be sustained anymore, Dutch governments of the 1980s and 1990s tried to reduce the size of the public sector by privatization and increase its effectiveness by managerialism. I will end this section with a description of governance, the most recent driving force behind public sector reform in The Netherlands.

1.2.1 Private initiative

Many organizations providing public services in the Netherlands such as schools, hospitals and housing corporations were established at the turn of the 19th century at the initiative of (groups of) socially concerned citizens and / or religious or ideological groups (Brandsen, Van de Donk, & Kenis, 2006c, p. 422). Also many of the Netherlands’ public utilities were originally established not by the state but by private initiative of entrepreneurs (R. in ’t Veld, 2005, p. 46). Examples are many gasification plants (Veraart, 2007, p. 172), several railway companies (Veenendaal, 2004) as well as the water company of Amsterdam (Delden & Veraart, 2001, p. 19).
The reason why entrepreneurs established these services is simple: they expected a healthy return on their initial investment. The involvement of religious and ideological groups in the provision of public services has another reason, which lies in the pillarized character of Dutch society. For a long time the Netherlands were, in the words of Lijphart (1975), a consociational state with major internal divisions along religious and ideological lines but cooperation at elite level. Dutch society was divided into several pillars, comprising religious as well as ideological groups that lived next to rather than with each other.

There were at least four pillars (Protestant, Catholic, Social Democratic and Liberal), each with its own social institutions, based on the concept of sphere sovereignty, brought forward by Neo-Calvinist theologian (and eventually prime minister) Abraham Kuyper, stating that each group should be allowed to deal with its own affairs without outside interference (Andeweg & Irwin, 1993, chap. 2).

1.2.2 Growing state intervention

State intervention grew rapidly during the 20th century as the Dutch government began to provide funding for organizations established by private initiative. From 1901 onwards government for example granted loans to housing corporations in an attempt to stimulate the construction of social housing. In 1917 it started funding all confessional as well as non-confessional schools as part of a political deal between which became to be known as the Pacification of 1917. Government also nationalised many of the public utilities established by entrepreneurs, for example the railroads in 1938.

After the Second World War, the Netherlands developed into a sophisticated welfare state (Andeweg & Irwin, 1993, pp. 194-9), that provided two kinds of generous insurance schemes (people’s insurance, providing coverage and benefits for all permanent inhabitants of the country and employee insurance, covering all those that worked) (Andeweg & Irwin, 1993, p. 195).

9 'Soevereiniteit in eigen kring ' in Dutch.
10 This deal included a trade off between Christian parties that demanded state funding for confessional schools and secular parties, that demanded universal suffrage.
11 These ‘volksverzekeringen’ included the old age pension scheme, the widows and orphans law, child payments, medical insurance and a general program for the handicapped (Andeweg & Irwin, 1993, p. 195)
12 The ‘werknemersverzekeringen’ included unemployment compensation insurance, compulsory medical insurance, disability compensation and compensation for normal sickness leave (Andeweg & Irwin, 1993, p. 195)
This development mirrored that of other countries. A rapid worldwide expansion in the absolute and relative size of the public sector during 1960-1980 (a period that has been labelled the golden age of public sector intervention, (Jackson, 2003, p. 29) followed a lengthy period of laissez-faire in which the public sector (measured by public expenditure) grew only modestly (Jackson, 2003: 28). In 1870, the average relative size of the public sector worldwide (as measured by the ratio of government spending to GDP) had been 10.7%. This had increased to 19.6% in 1920. In 1960, the relative size of the public sector already measured 28% and in 1980 would be 41.9% (Tanzi & Schuknecht, 2000, p. 6).

1.2.3 Privatization

In the (early) 1980s the Netherlands were commonly described as the sick man of Europe that suffered from a high rate of unemployment and a gigantic national debt. At the climax of this crisis in 1984, about 800,000 people were without a job, which equated to 14% of the Netherlands’ total working population (Visser & Hemerijck, 1997, p. 9). The country’s national debt had increased by about 70% in five years time (from € 50,555 million in 1975 to € 85,491 million in 1980 (Centraal Bureau voor de Statistiek, 2008). A drastic reform of the Dutch welfare state, for a long time one of the biggest in Western Europe (Andeweg & Irwin, 1993, p. 194), seemed unavoidable to prevent an impending financial as well as a legitimation crisis of the state (cf. O’Connor, 1973).

The Dutch governments of the 1980s (two Conservative-Liberal coalitions, both headed by prime minister Ruud Lubbers) tried to tackle this crisis and to stimulate the economy by agreeing with unions and employers on a comprehensive plan to revitalise the economy. Central to this was the deal that trade unions would accept shorter working times and less pay in exchange for guaranteed employment. This consensual style of policy making became known as the polder model.13

Another, and for the provision of public services more influential, step the Lubber’s governments undertook to revitalise the economy was reducing the size of the public sector through privatizing state-owned companies. Compared to many other member states of the European Community, direct intervention of Dutch government in the country’s industry was however very limited (Parris, Pestieau, & Saynor, 1987, p. 186). There only were four state enterprises in the 1980s (the post and telecom administration PTT, IJmuiden Fishing Port Authority, the Mint and the Government Printing Office), and government held all the shares in only 13 corporations (such as

13 The Polder model has fallen out of fashion as it was criticized as a form of backroom politics.
coal mining company DSM and Dutch Rail). The impact of this operation was thus rather limited (Andeweg & Irwin, 1993, p. 201).

1.2.4 Managerialism

The 1990s were also in The Netherlands the time of what Pollitt (1990) describes as managerialism, or the conviction that private sector management techniques can and should also be applied in the provision of public services. This belief was partly inspired by the political fashion of that time, New Public Management or NPM (Hood, 1991; Lane, 2000; Barzelay, 2001), which was based on ten basic principles, formulated by American management consultants David Osborne and Ted Gaebler in their book REINVENTING GOVERNMENT: HOW THE ENTREPRENEURIAL SPIRIT IS TRANSFORMING THE PUBLIC SECTOR (1992) (see Figure 1.2). New Public Management was aimed at making government not only smaller (so it could focus on making policy and leave its implementation to others) but also more efficient and businesslike (Bovaird & Löffler, 2003a, p. 17). This was done by introducing so-called market type mechanisms into the delivery of public services, such as internal markets, user charges, vouchers, franchising and outsourcing (Walsh, 1995). The introduction of managerial techniques in the provision of public services, also lead to what can be described as the rise of the audit society (Power, 1997) or of inquisitive democracy (’t Hart, 2001), a system in which the output of public organizations is monitored critically (De Bruijn, 2007).

Figure 1.3 Ten principles of reinvention (Osborne & Gaebler, 1992)

- Catalytic government (steering rather than rowing)
- Community-owned government (empowering rather than serving)
- Competitive government (injecting competition into service delivery)
- Mission-driven government (transforming rule-based organizations)
- Results-oriented government (funding outcomes, not inputs)
- Customer-driven government (meeting the needs of the customer, not the bureaucracy)
- Enterprising government (earning rather than spending)
- Anticipatory government (prevention rather than cure)
- Decentralized government (from hierarchy to participation and teamwork)
- Market-oriented government (leveraging change through the market)

In the Netherlands, managerialism was the underlying philosophy of the so-called ‘grote efficiency operatie’ (big efficiency operation), which led to the establishment of a series of quangos (see Van Thiel, 2000). However, contrary to the comparable reform processes in the Anglo-Saxon world at the same time (cf. Solomon, 1999, pp. 25-50; Pollitt & Bouckaert, 2000, pp. 270-87), the establishment of quangos in The Netherlands was not primarily aimed at a hollowing out of the state based on ideological preferences. The Dutch autonomization policy was more pragmatic and
aimed at modernizing the state by making its structures more flexible. The Dutch were, using Pollitt and Bouckaert’s (2000, p. 176) categories, employing a modernisation strategy for reforming the public sector, whereas the Anglo-Saxon countries relied on a marketization strategy.14 This was mostly due to the political culture in the Netherlands at this point in which practical constraints were seen as more important than ideologies as politics was understood to be a serious business (cf. Andeweg & Irwin, 1993, pp. 35-6).15

1.2.5 Governance, the collaborative challenge and joined-up government

In the last decennium, New Public Management has been replaced by governance (Rhodes, 1997; Pierre & Peters, 2000) as the main driving force for public sector reform in The Netherlands. Governance is based on the belief that most societal problems in the network society (Castells, 1996; Kickert, Klijn, & Koppenjan, 1997) are wicked, in the sense that there neither is agreement on the nature nor on the solution of the problem (cf. Koppenjan & Klijn, 2004, chap. 1).

Wicked problems cut across neat service lines and thus can not be tackled by only one agency but rather ask for a multi-stakeholder approach in which not only government but also other actors participate, such as citizens, business, Third sector organizations and the media (see Figure 1.3 for an overview of the characteristics of governance) (Bovaird & Löffler, 2003a, p. 18).

In governance, old boundaries between organizations, policy fields, sectors and even countries do not apply anymore, as responsibilities are shared and all actors depend on one another, in what is called the collaborative challenge. In the Netherlands this is

14 Pollitt and Bouckaert (Pollitt & Bouckaert, 2000, p. 178) describe the following four strategies states have followed since the 1980s to reform their public sectors: (1) maintain (restrict expenditures, freeze new hirings, run campaigns against waste and corruption and generally ‘squeeze’ the system of administration and law), (2) modernize (bring in faster, more flexible ways of budgeting, managing and accounting and delivering services), (3) marketize (institute as many market-type mechanisms as possible, let public sector organizations compete with each other) and (4) minimize (hand over as many tasks possible to the market sector through privatization and contracting out).

15 This was Rule One of The Rules of the Game of Dutch politics formulated by Lijphart: ‘The first and foremost rule of the Dutch political game is that politics should not be regarded as a game at all ... it is business. This attitude is in accord with Holland’s long tradition as a merchant nation and with the crucial political role the merchant middle classes have played in Dutch history. This attitude towards politics has a pervasive and highly beneficial influence on democratic stability.’ (Lijphart, 1975, p. 123). Maybe the currently increased political instability in The Netherlands has something to do with the loss of this cool and rational political culture since the successes of populist politicians like Pim Fortuyn and Geert Wilders.
true today for most organizations delivering public services, such as housing corporations, the police, hospitals and educational institutions, as for example Van Duivenboden et al. (2009) demonstrate in a recent book. In order to react to this new situation and to increase their capacity to deal with wicked problems, many governments now employ so-called whole of government approaches. They try to tackle wicked problems not only by working together with other societal actors but also in a joined-up or holistic manner. This entails governmental agencies working together across departmental boundaries and portfolios to achieve a shared goal and an integrated government response to a particular issue (cf. Christensen & Lægreid, 2007; Pollitt, 2003).

**Figure 1.4 Characteristics of governance (Löffler, 2003, pp. 164-6; Bovaird & Löffler, 2002)**

- ‘Assumes a multiple shareholder scenario where collective problems can no longer be solved only by public authorities but require the cooperation of other players (eg, citizens, business, voluntary sector, media) – and in which it will sometimes be the case that practices such as mediation, arbitration and self-regulation may be even more effective than public action;
- deals with formal rules (constitutions, laws, regulations) and informal rules (codes of ethics, customs, traditions) but assumes the negotiation between stakeholders seeking to use their power can alter the importance of these rules; no longer focuses only on market structures as steering mechanisms, as in conventional “new public management” approaches, but also considers hierarchies (such as bureaucracies) and cooperative networks as potential facilitating structures in appropriate circumstances;
- does not reason only in terms of the logic of ends and means, inputs and outputs, but recognises that the characteristics of the key processes in social interactions (eg, transparency, integrity, honesty) are likely to be valuable in themselves;
- is inherently political, concerned as it is with the interplay of stakeholders seeking to exercise power over each other in order to further their own interests – and therefore cannot be left to managerialist or professional decision making elites.’

Just as New Public Management and managerialism of the 1980s and 1990s, governance often has a normative dimension, especially when it comes to discussions about what constitutes good governance. This is still an indeterminate term, without a single and exhaustive definition, but most commonly refers to a provision of public services that is both effective and efficient and which is firmly based on ethical aspects (such as integrity), democracy and legitimacy (Van Montfort, 2004, 2008). A way to achieve this is to formalize and standardize organizational structures and procedures by drafting compulsory principles and codes (eg, Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2009).

Some authors claim that the normativity of this debate is a positive thing, as without knowing what constitutes good and bad governance no comparisons can be undertaken
and no learning can be achieved (one proponent of this view is Van Montfort, 2008, pp. 25-6). Others warn that good governance should be more than just checking whether the rules and principles of a code have been followed. In ’t Veld (2008) for example states that good governance today is often no more than what he calls a ‘prothesis for virtuousness’. It is used as a form of immunisation against too much outside interference and often is no more than a lip service.

1.3 Hybrid organizations as contested but unknown phenomena

1.3.1 Discussion and criticism…

There are two main points of criticism generally brought forth against quangos. The first concerns their position at arm’s length from government. At the end of the 1990s, the idea developed that the autonomization of organizations engaged in public service delivery had led to a situation in which government had totally lost its grip on them and the quality of their services. The Court of Audit also lamented that quangos were growing in an uncontrolled manner (Algemene Rekenkamer, 1995).

In 2004 these criticisms triggered government to propose bringing all quangos back under full ministerial accountability, based on a report claiming that citizens often lost their way in the thicket of quangos that had developed (IBO, 2004). Due to fierce criticisms, these plans were eventually not carried out. In their place came a law in 2006 dictating uniformity in in the way quangos were set up on the national level, which had already been in the making for several years (Staatsblad, 2006).

A second main point of criticism against quangos concerns their market activities. As soon as these organizations had entered the market place, their commercial rivals complained about their alleged competitive advantages due to their privileged position close to government, such as possibilities for cross-subsidisation and the misuse of confidential data (OECD, 2004; Price Waterhouse Coopers, 2005).

There also are fears in society at large that allowing public organizations to enter the market place will trigger them to take unacceptable risks which could result in financial losses and compromise the quality of their public service provision.

Dutch government tried to tackle these complaints by drafting a law in 2001 virtually banning all hybrid organizations (Tweede Kamer der Staten-Generaal, 2001), based on a controversial report written by a task force under chairmanship of Job Cohen, then rector of the University of Maastricht (MDW-werkgroep markt en overheid, 1997). This bill met with criticism from a broad coalition of practitioners and scientists as well as by the Council of State, Dutch government’s most prominent advisory body, and was finally withdrawn in 2004 (see 3.3.2). In its place it was
proposed in 2009 to add rules of behaviour for quangos operating in the market place to Dutch competition law.

1.3.2 …but also great expectations

With the rise of governance as a political philosophy in The Netherlands, another, more positive view developed in some quarters, in which hybridity is expected to help organizations tackle the societal questions of today in a coordinated and joint fashion. In 2004, the Scientific Council for Governmental Policy (WRR), an independent think tank of the Dutch government, for example described hybridity as a means to generate new knowledge and as a prerequisite for consumer sovereignty (Wetenschappelijke Raad voor het Regeringsbeleid, 2004a). A year later, the Social and Economic Council of the Netherlands (SER), an economic advisory council to Dutch government, proclaimed that mixing public and private would also increase the quality and effectiveness of public service provision (Sociaal-Economische Raad, 2005). There also are attempts to create a specific legal status for social enterprises (maatschappelijke ondernemingen).16

However, these more positive views on hybridity are still the minority. Most voices in the Dutch debate about the subject remain critical of hybrid organizations. It is after all not that long ago that the Dutch government was seriously thinking about banning hybrid organizations outright. Whether or not the heralds of a more positive view constitute an emerging trend, still remains to be seen.

1.3.3 A normative debate

As described above, there has been quite some debate in the past about quangos that engage in commercial activities, as well as efforts to tackle the most prominent worries concerning their hybridity. This discussion was at its peak during the 1990s but periodically re-emerges, for example when media reports on the excesses of some public managers instigate debates about whether the managerialism and commercialization of public organizations has gone too far. The recent nationalisations of banks have also triggered discussions about the relationship between the public and the private sector (cf. Rutte & Weekers, 2009) and hybrid organizations tend to feature prominently in critical accounts on the negative effects of introducing market-type mechanisms in the provision of public services (eg, Brakman & Van Witteloostuijn, 2010).

16 The term social enterprise was, as he likes to point out, coined in The Netherlands by Steven de Waal (2000).
But does that mean that we already know much about these hybrid organizations? I argue that even after nearly twenty years of debate this still is not the case, which is, for a good deal, due to the normative character of the debate.

Two schools of thought oppose each other in the Dutch discussion about hybridity (see chapter 3 for a more extensive overview). 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, Van de Donk, & Kenis, 2006b; Brandsen, Van de Donk, & Van Montfort, 2005; Brandsen et al., 2005; Frissen, 2005; Meijerink, 2005; Van Montfort, 2008; Mouwen & Van Bijsterveld, 2000; Sociaal-Economische Raad, 2005, 2010; R. in ’t Veld, 1995, 1997a, 1997b, 2003, 2005; Wetenschappelijke Raad voor het Regeringsbeleid, 2004a). 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; Gradus, 2005; De Jong, 1998; MDW-werkgroep markt en overheid, 1997; Simon, 1989, 2005, 2008; Stevens, 1997, 1998). I refer to this perspective in this dissertation as the corruption argument. Hybridity is seen here as the root cause for all sorts of economic, performance related, cultural and governance related risks.

The Dutch discussion on hybridity 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. Hybrid organizations are mostly treated as black boxes and as if there are no differences between them. So far this debate has centred mainly on the question whether a combination of public and private should be allowed and what its possible positive and negative effects could be. There still is a lack of empirical studies describing what actually is happening in hybrid organizations and what the actual effects are of hybridity.

Most voices in the discussion treat the possible effects of hybridity as mutually excluding, whereas to me 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. This also means 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. That is why it is so important to better understand the essence and effect of hybridity.
Research that goes beyond the normative discussion and critically examines the arguments brought forward by hybridity’s advocates and adversaries has only started to emerge during the course of my own research project. The Dutch Court of Audit studied three hybrid organizations in more detail during a research project in which I participated (Algemene Rekenkamer, 2005) and Brandsen, Van de Donk & Kenis (2006b) edited a volume of case studies and theoretical articles to which I also contributed a chapter (Karré, 2006, based on Karré, 2005). There also are several PhD theses available on certain aspects of hybridity. Honingh (2008) for example studied whether the organizational behaviour of teachers and middle managers differs in publicly and privately funded schools for vocational training. And Van der Wal (2008) studied whether public and private sector managers really are driven by different (and opposing) sets of organizational values.

Further research still seems to be needed, however, especially as the number of hybrid organizations is only expected to grow in the future which makes it necessary to develop ways of how to cope with or manage their hybrid character, as for example also a task force on public accountability instigated by the Dutch Ministry of the Interior claims:

'It has to be expected that in the future more and more forms of hybrid organizations will develop. The important question now is how public interests can in future best be safeguarded and which checks and balances will be necessary.'

(Werkgroep Publieke Verantwoording, 2008, p. 11)

1.3.4 Only a Dutch debate?

In this dissertation I mainly focus on hybrid organizations in The Netherlands and the Dutch discussion on hybridity. However, this does not imply that it is an exclusively Dutch topic. For example, in a recent book in which he pays particular attention to Third Sector hybrids, Billis notes:

‘Hybrid organizations are ubiquitous. They are international, multi-sector phenomena and their unclear sector accountability often engenders unease and distrust. And in our area of concern [the Third Sector, PMK] we appear to 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.’ (Billis, 2010b, p. 46)

All over the world various forms of hybrid organizations are discussed from several theoretical and practical perspectives. But, as Billis notes as well, '[d]espite recent

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17 In Dutch this passage reads: ‘Te verwachten is dat in de toekomst steeds meer verschillende soorten hybride organisaties ontstaan. Belangrijk is de vraag hoe publieke belangen in de toekomst het best kunnen worden geborgd en welke checks and balances nodig zijn.’
increased interest in hybrid organizations, the literature remains sparsely spread across many academic disciplines over several decades.' (Billis, 2010b, p. 55). Also on the international level, there so far is no systematic body of research on hybrid organizations.

In the United States, research on hybrid organizations is for example conducted by Seidman (1997) as well as by Koppell (2003) who examined FannyMae and FreddyMac. Hybrid organizations also feature prominently in the American and British discussions about social entrepreneurialism, where they are defined as mixing elements of for-profit and non-profit organizations (see for example Billis, 2010; Perrini, 2006).

In Germany, mixing public and private is seen as a means to create a strong and robust civil society (referred to as Bürgergesellschaft or Zivilgesellschaft) (cf. Evers, Rauch, & Stitz, 2002; Meyer & Weil, 2002). It also is studied on the local level (cf. Edeling, Stölting, & Wagner, 2004; Killian, Richter, & Trapp, 2006; Richter, 2007).

International organizations interested in the effects of hybridity include the OECD, which not only discussed its effects on competition law and policy (OECD, 2004) but has also developed guidelines on corporate governance of state-owned enterprises (OECD, 2005).

Hybrid organizations are also mentioned in the organizational studies’ literature that deals with the differences between ideal-typical public and private organizations (see for example Emmert & Crow, 1988; Perry & Rainey, 1988; Rainey, 1997; Rainey & Chun, 2007), as well as in the literature about partnerships and alliances between different organizations (see for an overview of this literature Skelcher, 2005).

While there is international interest in hybridity, there is one characteristic that distinguishes the Dutch debate from that in other countries. Whereas mixing public and private is seen by many international commentators as a means to create a new form of society or a new, more social kind of entrepreneurialism and to relieve the tax burden, most Dutch commentators view hybridity as some sort of pollution which leads to impure organizations that do not resemble ideal-typical ideas of what public and private organizations should look like (cf. section 3.3.2).

To a relative outsider this is in some ways difficult to comprehend, given the long tradition and, arguably, success story of hybrid organizations in the Netherlands. Frissen (2005, pp. 35-6) explains this negative Dutch view with the country’s Protestant cultural tradition and its distaste for anything that can be seen as a bending of rules and a neglect of principles. He also claims that hybridity simply does not fit with the modernistic and dichotomous perspective Dutch government employs when
looking at the world around us and that it (as also Moore, 2000, claims) runs contrary to the basic human desire to refrain from all that can be seen as unclean and impure.\textsuperscript{18}

I will take account of this negative Dutch view on hybridity by not only trying to establish where the strengths lie of the concept but also to examine which risks it poses, that have in the past made several Dutch commentators claim that hybrid organizations operate in a ‘murky twilight zone between state and market.’\textsuperscript{19} (NRC Handelsblad, 2009).

\textbf{1.4 Societal and scientific relevance}

I described in the preceding section the hypotheses concerning the positive and negative effects of hybridity as they are put forward in the Dutch discussion about hybrid organizations. I also described the normative character of this debate and why I believe that we still know rather little about organizations mixing public and private, both theoretically as well as empirically (a point that is echoed by Brandsen, Van de Donk, & Kenis, 2006c, p. 18). In the concluding chapter of their volume, Brandsen et al. describe that even after studying several case studies of hybrid organizations, many important questions still need to be addressed in more detail, such as (Brandsen et al., 2006a, p. 434):

- What are the effects of hybridity on various levels of an organization?
- What are the effects of hybridity on the quality of an organization’s service provision?
- What are the economic effects of hybridity in organizational practice?
- Are the theories used so far to conceptualize hybrid organizations sufficient or do we have to go beyond the state-market dichotomy and the state-market-society trichotomy?
- Is it desirable to establish a new legal form specifically for hybrid organizations?

The quest to get a better grip on hybridity and to better understand hybrid organizations has only just started. My aim with this dissertation is to add to the body of knowledge on hybrid organizations by looking at the effects of hybridity in organizational practice. Such a critical examination of hybrid organizations, is, in my

\textsuperscript{18} A view that is as old as the old testament. Levithicus 19:19 explicitly bans impurity: ‘Thou shalt not let thy cattle gender with a diverse kind: thou shalt not sow thy field with mingled seed: neither shall a garment mingled of linen and woollen come upon thee.’

\textsuperscript{19} In the original op-ed piece the NRC speaks about ‘de schemerzone tussen staat en markt’.

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opinion, of both societal as well as scientific relevance. These organizations not only fulfil important functions in the provision of public services in The Netherlands, guarding several important public interests, but also deal with significant amounts of public money. Consultants Atos KPMG calculated for example in 2000 on behalf of the Dutch Ministry for Economic Affairs that hybrid organizations (which it defined as all public companies) generated a total turnover of €25 billion (Atos KPMG Consulting, 2002), about 5% of GDP (Centraal Bureau voor de Statistiek, 2009). In 2003, commercial activities of provinces, municipalities and water boards alone already amounted to about €2.5 billion (Atos KPMG Consulting, 2003). Unfortunately no more recent figures are available but also those from eight years ago indicate that hybrid organizations in The Netherlands are no marginal phenomena (at least not in pecuniary terms).

Hybridity’s societal and financial impact, as well as the possible benefits and risks attributed to it, warrant a critical examination and a discussion which is not (as often is the case now) based on normative ideas but on research on how hybridity works in practice in different sectors. Only when we understand what hybridity means, how its positive effects can be maximised and its negative effects mitigated, can we decide when it makes sense to mix public and private (and when it does not).

1.5 Research questions

I argued in this chapter that there already is an abundance of hypotheses on the potential positive and negative effects of hybridity but a lack of empirical observations concerning the question which of them actually do manifest themselves in organizational practice. There also is a lack of research on the possible shapes and sizes of hybrid organizations. To change this, the following general research question will be addressed in this dissertation:

**How do hybrid organizations function in practice and what are the effects of their hybridity?**

This general research question can be divided into five specific research questions, two of an analytical and three of a more empirical nature.

The first analytical research question aims at providing a more nuanced definition of hybridity and therefore is:

**On which dimensions can an organization be hybrid?**

In much of the literature already written on hybrid organizations, the distinction between public and private is described as a dichotomy. My aim with this question is to go beyond this simplistic view and to describe hybrid organizations as positioned on a continuum between public and private. This description can be found in chapter 2.
The second analytical research question is:

**What could be positive and negative effects of hybridity?**

This research question aims at providing an overview of the various hypotheses mentioned in the literature already available on hybrid organizations about what the positive and negative effects of hybridity could be. This overview can be found in chapter 3.

The following three empirical research questions aim at describing hybridity and its effects in organizational practice. I answer them by looking at three hybrid organizations in detail (chapters 6-8), by comparing these findings and discussing them with experts (chapter 9).

My first empirical research question is:

**In which ways is the case organization hybrid?**

The aim of this question is to give a multi-faceted description of how hybrid organizations look like in practice by applying the multidimensional model outlined in chapter 2 to my three case studies.

My second empirical research question aims at describing the effects their hybrid status had on my three case organizations. It is:

**Which positive and negative effects of hybridity can be observed in the case study and how are these dealt with?**

My third, and final, empirical research question is:

**What do the findings of this study say about the overall viability of hybrid organizations?**

I will elaborate on the overall viability of hybrid organizations in waste management and other sectors in the final chapter of this dissertation (chapter 10). I am aware that it is of course not possible to make general statements based on three case studies in one sector. I will therefore especially highlight issues that should be addressed in future research in other sectors.

### 1.6 Outline

Besides this introduction, my dissertation consists of nine more chapters.

Chapter 2 describes the dichotomy between public and private and the differences between agencies and enterprises as ideal-typical public and private organizations. It also contains an overview of the various organizational dimensions on which organizations can be classified as being public, private and hybrid.
Chapter 3 describes the hypotheses brought forward in the Dutch debate on hybrid organization concerning the positive and negative effects of hybridity.

In chapter 4 I outline my research strategy and specify, based on the answers on my two analytical research questions, my empirical research questions.

Chapter 5 contains a description of the Dutch waste management sector and the public, private and hybrid organizations that operate in it. Its aim is to set the scene for my three case studies from this sector.

Chapters 6 through 8 contain my individual case studies. TOM, my first case study, ran a waste incineration plant in a big Dutch city. DICK, my second case study, collected the waste of about twenty municipalities in the west of The Netherlands. And HARRY, my third case study, collected waste on one of the islands of the Netherlands Antilles.

Chapter 9 contains a comparison of my three cases. I discussed my findings with a group of professionals from the waste management sector to test their validity. The outcome of this discussion is also described in this chapter.

Chapter 10, finally, consists of my conclusions as well as recommendations and ends with ideas for further research.