Heads and tails: both sides of the coin: an analysis of hybrid organizations in the Dutch waste management sector
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3. The effects of hybridity – An anatomy of the Dutch debate

3.1 Introduction

In this chapter I will attempt an anatomy of the Dutch debate about hybrid organizations as it has raged (and still does) since the 1990s (see chapter 1) to answer my second analytical research question, What could be positive and negative effects of hybridity?

The Dutch debate on this subject can be roughly divided into three stages, which I described in an article written with Taco Brandsen (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 played a leading role in the provision of public services.

More recently hybrid organizations have become mainstream. The (scientific, if not political and societal) debate about hybridity now focuses less on normative ideas but rather on how hybrid organizations function in practice. This doctoral thesis can be seen as part of this new trend in the debate on hybrid organizations.

By dissecting the Dutch discussion on hybridity I will try to establish who the most relevant advocates and adversaries of hybrid organizations are and what arguments they brought forward concerning the possible positive and negative effects of mixing public and private on the dimensions described in chapter 2.

Where appropriate I will also refer to international literature but I will not attempt to give an all-embracing overview of all scientific and administrative texts ever written about this subject at home and abroad. The main reason for this is that in this
dissertation Dutch hybrid organizations take centre stage, together with the arguments brought forward in the Dutch discussion about hybridity, whose validity I attempt to test in practice.

I describe the arguments brought forward by the advocates of hybrid organizations in section 3.2 and those of their adversaries in section 3.3. I describe what I find intriguing about them in section 3.4 and end this chapter with a summary in section 3.5.

3.2 The synergy argument

In section 1.3 I already described the two schools of thought opposing each other in the Dutch debate about hybrid organizations, which I call the synergy and the corruption argument. In this section I give an overview of the most prominent advocates of hybrid organizations and their arguments in favour of hybridity. An overview of those opposing hybridity and their arguments can be found in section 3.3.

3.2.1 Roel in ’t Veld

Probably the most influential proponent of the synergy argument, based on how often he is cited in other publications about this subject, is Roel in ’t Veld. Quite the hybrid himself, who has for most of his career alternated between posts in academia and the civil service, he sees hybrid organizations as not fundamentally different from any company that produces two or more different products (cf. R. in ’t Veld, 2005, p. 54)

In ’t Veld acknowledges that hybridity leads to tensions but claims that the possible synergetic effects of mixing public and private merit trying it anyway, as long as the benefits outweigh the transaction costs of controlling the negatives effects. He writes:

‘The multicultural character of a hybrid leads to internal tensions but also makes its external relations vulnerable. Powerful motives therefore have to exist for creating a hybrid. The central motive is synergy, which refers to the fact that the combination of a public and a commercial activity produces advantages which could not be reached by split production.’26 (R. in ’t Veld, 2005, p. 53)

Hybridity is in In ’t Veld’s view also an important condition for innovation:

26 In the original Dutch this passage reads: ‘De multiculturaliteit van de hybride levert intern spanningen op, maar maakt ook externe relaties kwetsbaar. Er moeten dus krachtige motieven aanwezig zijn om een hybride te creëren. Het centrale motief is synergy: de omstandigheid dat de combinatie van een publieke en een commerciële activiteit voordelen opleverd die bij gescheiden productie niet zouden zijn te bereiken.’
‘Especially in the innovative sectors of society many hybrids can be found. Supply of drinking water developed as a hybrid private initiative, was nationalised next and might now be privatized again. A great number of innovations either occur in the domain of public universities or in hybrid organizational forms and will then productively be applied by private companies. National government seems to acknowledge this fact, as it, in the light of its drive for more innovation, calls for the creation of hybrids, such as top technology institutes.’

(R. in ‘t Veld, 2005, p. 53)

According to In ‘t Veld the positive effects of hybridity are blatantly apparent to everyone who takes the effort to look around in the Dutch public sector:

‘He who has a good look around in the Netherlands will discover that many of the hybrid organizations, public bodies, knowledge institutions and public enterprises that have recently come into existence, are now functioning significantly better. They distinguish themselves positively from traditional government with respect to their effectivity and customer-orientation, as well as with respect to the manner in which they report and are accountable. This is even visible in recent reports by the Court of Audit. The question is how this situation has come to be. One of the plausible explanations is that being put in touch with the market also has a positive effect on public operations. The whole organization will start to employ the methods for increasing effectivity and quality that are necessary to sustain competition. Also public operations are penetrated by the all-embracing attention for the customer. A process of partial commercialisation can therefore have very positive side effects for the whole organization. This produces important motives to cherish the hybrid organization instead of destroying it.’

(R. in ‘t Veld, 2005, p. 57)

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27 This passage reads in Dutch: ‘Juist in de vernieuwende compartimenten van de samenleving treft men veel hybriden aan. Waterleiding ontwikkelde zich als hybride particulier initiatief, verstatelijkt vervolgens en privatiseert nu misschien weer. Tal van vindingen ontstaan in het publieke universitaire domein, dan wel in hybride vormen, en vinden vervolgens in private ondernemingen en [sic] productieve aanwending. De rijksoverheid lijkt daarvan ook goed bevraagd te zijn in het licht van het streven naar innovatie aandringt op de creatie van hybriden zoals toptecnologische instituten.’

(R. in ‘t Veld, 2005, p. 57)

28 This passage reads in Dutch: ‘Wie in Nederland goed rondkijkt, zal ontdekken, dat veel van de recent ontstane hybride organisaties, zelfstandige bestuursorganen, kennisinstellingen en publieke ondernemingen in aanzienlijke mate beter zijn gaan functioneren. Zij onderscheiden zich in doelmatigheid, in klantgerichtheid, in de kwaliteit van verslaglegging en verantwoording vaak gunstig van de klassieke overheid. Dat is zelfs in recente Rekenkamerrapporten zichtbaar. De vraag is hoe dat komt. Een van de plausibele verklaringen is, dat de aanraking met de markt ook op het publieke functioneren gunstige effecten heeft. De gehele organisatie gaat zich bezighouden met de methoden tot doelmatigheidsverhoging en kwaliteitsborging, die noodzakelijk zijn om de concurrentie vol te houden. Ook in het publieke functioneren dringt de alomvattende aandacht voor de klant door. Een proces van gedeeltelijke commercialisering voor de gehele organisatie kan dus zeer gunstige neveneffecten hebben voor de gehele organisatie. Dat levert belangrijke motieven op om de hybride organisatie juist te koesteren in plaats van haar te vernietigen.’
However, in order to achieve synergy and innovation, one first has to deal with the possible negative effects of hybridity which In ’t Veld describes as follows (cf. R. in ’t Veld, 1997a, pp. 100-2):

- **Economic contamination**: this form of pollution refers to anticompetitive behaviour of hybrid organizations and includes cross-subsidies (public money being used to pay for commercial activities) and the exploitation of captive customers who can not choose but buy the goods and services they need from one supplier.

- **Perverse bias**: this negative effect refers to a normative and cultural incompatibility between certain forms of production and / or service provision, such as an organization that itself provides services on the market place it regulates.

- **Double binds**: these occur when actors receive conflicting stimuli, orders or other incentives for a certain behaviour which they can not reconcile.

- **Centrifugal domination**: this negative effect occurs when forces start to dominate an organization that threaten its cohesion and especially refers to a possible clash between conflicting values.

According to In ’t Veld, the most important source of tension within hybrid organizations is the combination of conflicting values which complicates organizational sense-making (R. in ’t Veld, 1997a, p. 51). Different sets of values prevail in the public and the private sector, In ’t Veld claims. He uses the two cultural systems developed by Jane Jacobs (1992) to illustrate that point (see section 2.5.3). Jacobs is very critical about an organization trying to change or mix moral syndromes. Quoting from Plato’s *REPUBLIC*, she calls this behaviour ‘the greatest wickedness’, as it does ‘the most harm’ to the community (Jacobs, 1992, p. 32) and leads to the creation of ‘a monstrous moral hybrid’ (Jacobs, 1992, p. 96), such as the Mafia:

‘The Mafia picks and chooses as it pleases from the commercial syndrome. While its basic framework is the guardian syndrome, it adds trading in the form of giving bribes and also by engaging in a lot of commerce in its own behalf.’ (Jacobs, 1992, p. 96)

In ’t Veld is more positive about hybrid organizations than Jacobs but acknowledges that because they combine the guardian and the commercial syndrome strong cultural tensions could arise. To counteract those and to safeguard the cultural stability of a hybrid organization the following three conditions have to be met (R. in ’t Veld, 1997a, chap. 5):

- **Integration**: a mechanism has to be established within a hybrid organization that reconciles or integrates the conflicting stimuli it receives. The hybrid organization’s paramount goal should be to combine in itself ‘the most prominent values from both cultures’ (R. in ’t Veld, 1997a, p. 137).
- **Legal relations**: Hybrid organizations should strive for uniformity in their external legal relations. In ’t Veld argues that many tensions could be prevented, if hybrid organizations only enter into relations based on private law, even with government.

- **Multiple forms of accountability**: In ’t Veld advises hybrid organizations to employ multiple forms of accountability next to that to their political principals and to for example also work with citizens’ charters, such as that developed by the Charter Group Public Accountability.29

### 3.2.2 Scientific Council for Government Policy

Another advocate of hybridity is the Dutch Scientific Council for Governmental Policy (WRR) which in 2004 published a widely discussed report titled *EVIDENCE OF GOOD SERVICE PROVISION* (‘Bewijzen van goede dienstverlening’) (Wetenschappelijke Raad voor het Regeringsbeleid, 2004a). In this report, the Council writes that social services in many sectors,

‘feel the weight of rising tension between the institutional regime in which the sectors function, the orientation within which the service providing institutions and their professional employees operate, and the demands from the side of the clients on the institutions. Hence, the various interests insufficiently (mutually) match their responsibilities, demands and needs, or counteract each other, whereby the actual service provision (and the service provider) is cornered. These tensions are not, and never will be, totally eradicable. To this end it will be necessary to pursue a way to deal productively with these tensions and indeed to benefit from the complexities.’ 30 (Wetenschappelijke Raad voor het Regeringsbeleid, 2004b, p. 2)

The WRR laments the dichotomous view which seems to be dominant in the provision of public services:

‘Currently the discussion is dominated by questions formulated as “dichotomies”. In institutional terms there is an ongoing struggle around the issues of whether sectors would be counted as state or market. This is ongoing both in the Netherlands and in the European Union as a whole. The question raised in regard to the institutions (hospitals, housing cooperatives, schools and employment offices) is whether responsibility for service provision should be placed with management or the professionals. And there is a burgeoning debate around the client as to whether his/her needs should be met by the steering of demand or indeed of supply. These dichotomies fail to do justice to the versatility of social service.’ (Wetenschappelijke Raad voor het Regeringsbeleid, 2004b, p. 2)

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29 The ‘Handvestgroep Publieke Verantwoording’ in Dutch. See for more information its website at www.publiekverantwoorden.nl (retrieved July 22, 2009).

30 All passages quoted here were taken from the official English summary of the report, published on the website of the Council.
According to the Council, this dichotomous approach leads to several negative side-effects, such as the destruction of knowledge and the establishment of a dictatorship of mediocrity (see Figure 3.1).

**Figure 3.1 Five negative side-effects of the dichotomous approach**  
(Wetenschappelijke Raad voor het Regeringsbeleid, 2004b, pp. 3-4)

- Destruction of knowledge by the division between policy and implementation.
- Dictatorship of mediocrity as supervisors and accountability forums are instituted from the basic idea of risk-limitation. Sub-optimally performing organizations are treated with kid gloves and lifted to an ‘acceptable’ level without a good example being set.
- Illusion of the sovereign consumer, as the client increasingly is viewed as a consumer who steers, evaluates and selects the service that fits him/her though he/she is in no position to match this image, for example because he/she is highly dependent on social organizations.
- Disappearance of the politico-normative debate as the political control of social service provision has shifted into an excessive focus on administration and management rather than on the normative or ideological aspects.
- Stacking up of supervision and responsibility as it has become an object in its own right – rather than a means to encourage the interested parties to provide effective and high quality services.

In order to counteract these negative effects, the WRR proposes a new perspective on public service provision in which the artificial borders between state, market and civil society are broken down and a critical exchange of ideas between them is cultivated (see Figure 3.2).

**Figure 3.2 Five principles to increase the quality of public service provision**  
(Wetenschappelijke Raad voor het Regeringsbeleid, 2004b, pp. 4-8)

- Organize knowledge alliances, clustering the knowledge that can be found in different locations.
- Invest in variation and innovative practices to be in a position to adequately respond to shifts in society’s demands on quality of service.
- Organize active and involved opponents in open systems where stakeholder participation is the standard.
- Ensure appropriate public accounting by implementing an effective system of checks and balances.
- Make supervision cohesive, restrained and selective, by making external supplementary to internal supervision and by introducing a system of selective quality supervision based on organizational learning to replace the existing system of general quality supervision.

### 3.2.3 Social and Economic Council of The Netherlands

One year after the WRR published its recommendations for increasing the quality of public service provision, the Social and Economic Council (SER) issued a report
describing the beneficial effects of entrepreneurship for producing goods and services that are in the public interest (Sociaal-Economische Raad, 2005). It repeated this point in a more recent report (Sociaal-Economische Raad, 2010).

The SER subscribes to the argument made by the WRR in an earlier report on HET BORGEN VAN PUBLIEK BELANG (Safeguarding Public Value) (Wetenschappelijke Raad voor het Regeringsbeleid, 2000), claiming that it is up to government to determine what public interests are. However, this does not mean that all public services have to be provided by public sector organizations. Hybridity is a viable alternative, according to the SER, as long as it combines 'modern leadership' with autonomy for professionals 'who are inspired and motivated to optimally exploit their potentials.'  

Hybridity can never be a goal in itself though. Allowing public organizations to behave in a businesslike manner is 'aimed at an external goal – executing public tasks as well as possible. Entrepreneurialism for the public good asks for individuals who primarily want to be lead by a “public spirit” and who have as it were institutionalised the public interests at stake.’ (Sociaal-Economische Raad, 2005, p. 25)

Government will always have some role to play in the provision of public services, writes the SER, as those are produced on regulated quasi-markets (Sociaal-Economische Raad, 2005, sec. 5.3). It can, however, limit its activities to regulating the playing field, as long as the following three preconditions are met (Sociaal-Economische Raad, 2005, p. 9). Entrepreneurial agencies first of all have to also be accountable to other stakeholders next to government and have to develop professional and strong internal accountability structures. Second, the amount of autonomy agencies have to engage in entrepreneurial activities will depend on the level of competition in the sector they operate in and on whether customers have real freedom of choice. A third precondition for allowing entrepreneurialism by agencies is that government takes its role seriously of safeguarding the public interests of affordability, quality and the reliability of supply.

Because public services are produced in hybrid markets, in which both public and private organizations operate (Sociaal-Economische Raad, 2005, sec. 5.3.3), there has to be a level playing field (as also the European Community demands).  

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31 In the Dutch original, the SER speaks about ‘modern leiderschap’ that gives room for professionals ‘die worden geïnspireerd en gemotiveerd om hun potenties optimaal te benutten.’

32 Article 86 of the EC Treaty reads: ‘In the case of public undertakings and undertakings to which Member States grant special or exclusive rights, Member States shall neither enact nor maintain in force any measure contrary to the rules contained in this Treaty (...). Undertakings entrusted with the operation of services of general economic interest or having the character of a revenue-producing monopoly shall be subject to the rules contained in this Treaty, in particular to the rules
therefore endorses government’s attempts to add to Dutch competition law rules of behaviour for hybrid organizations.33

3.2.4 Other advocates

Other notable advocates of the synergy argument include Mouwen & Van Bijsterveld (2000), Frissen (2005) and many practitioners working at hybrid organizations.

*Mouwen & Van Bijsterveld*

In 2000, Kees Mouwen and Sophie van Bijsterveld (at that time vice-chancellor of the University of Tilburg and lecturer in law at the same university respectively) published their vision on the university of the future, which, in their eyes, inevitably has to be hybrid. Such a new, mixed orientation, they claim, ‘combines in a constructive manner the classic academic values of the past with the dynamic of our modern times, creating scientific synergy both on a strategic and an operational level.’34 (Mouwen & Van Bijsterveld, 2000, p. 136) In order for such a hybrid orientation to work, universities have to develop strategies on how much private funding they want to attract and how to combine the contradicting cultural orientations of the classic public Von Humboldt university with that of a commercial company.

*Frissen*

Paul Frissen, a professor of Dutch public administration well-known for his postmodernist views, relishes the mystery of hybrid organizations (cf. Frissen, 2005, p. 36). He claims that hybridity can ‘combine different value systems, which is a real advantage in our fragmented society. Hybridity can cross closed and stifling boundaries, which could be very much of use in our multicultural society. Hybridity combines the best of many worlds and by doing so could shift and break borders.'
**Hybridity is one condition for innovation because the order of the pure world only honours the already existing and must reject what is new.**\(^{35}\) (Frissen, 2005, p. 36)

**Practitioners’ theories**

In the report by the Netherlands Court of Audit on public entrepreneurship (which I already mentioned in sections 1.3 and 2.7) four possible benefits of hybridity are described, which were brought forward by the managing directors of the three organizations studied as well as in an expert meeting (Algemene Rekenkamer, 2005, chap. 4):

- **Financial benefits:** commercial activities can enhance an organization’s financial position.
- **Cultural benefits:** hybridity can help make an organization’s employees more entrepreneurial and can also make its whole culture more businesslike.
- **Beneficial effects on statutory tasks:** commercial activities can contribute to an organization’s statutory tasks, for example by increasing the quality of service provision and by generating extra income that can be used for investments that also benefit public services.
- **Societal benefits:** managers of hybrid organizations also claim that the above mentioned positive effects of hybridity will not only benefit their own organizations but, as they improve public service provision, also society as a whole.

**3.2.5 Summary: the benefits of hybridity**

Advocates of hybridity see hybrid organizations as effective boundary spanners that, by bringing public and private together, create synergy and innovation, which leads to economic, performance related, cultural and governance related benefits. I will use the spider charts in my case studies as an indicative-diagnostic tool to point me to those dimensions on which an organization’s new hybrid status might lead to these beneficial effects.

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\(^{35}\) In Dutch this passage reads: ‘Hybriditeit kan verschillende waardensystemen met elkaar verbinden, hetgeen in deze gefragmenteerde samenleving waarlijk een voordeel is. Hybriditeit kan over grenzen van eventuele geslotenheid en benauwenis heen gaan, hetgeen ons in onze multiculturele samenleving zeer van pas zou kunnen komen. Hybriditeit verbint het beste van vele werelden en zou zo grenzen kunnen verleggen en doorbreken. Hybriditeit is een voorwaarde voor innovatie omdat de ordening van de zuivere wereld slechts het bestaande belooft en het nieuwe moet verwerpen.’
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 the practitioners interviewed by the Dutch Court of Audit (Algemene Rekenkamer, 2005).

I expect the possibility of positive economic effects to be limited to organizations that are hybrid on those dimensions of my model which I summarized as dealing with structure & activities.

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.

I expect the possibility of positive performance related effects to be limited to organizations that are hybrid on those dimensions of my model which I summarized as dealing with structure & activities.

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 their envisioned hybrid university of the future and In ’t Veld (1997a) claims that introducing private sector values will also help make public sector organizations more customer-oriented.

I expect the possibility of positive cultural effects to be limited to organizations that are hybrid on those dimensions of my model which I summarized as dealing with strategy & culture.

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.

I expect the possibility of positive governance related effects to be limited to organizations that are hybrid on those dimensions of my model which I summarized as dealing with governance.
3.3 The corruption argument

Opposing those that claim that hybridity can create beneficial effects, are those that see hybrid organizations as an abomination, as they expect mixing public and private to yield all kinds of dangers and risks. First and foremost they fear that commercializing the public sector will only lead to corruption. Judging from the amount of texts written in this vein and their political consequences, this corruption argument was for a long time prevalent in the Dutch debate about hybridity. The most prominent critic of hybrid organizations, again judged by the amount of times his work is cited, is Martin Simon (see 3.3.1). His views are shared, among others, by a task force chaired by Job Cohen, that wrote a report which would later form the basis for a proposed ban of all hybrid organizations, as well as by authors such as De Jong (1998), Stevens (1998) and Gradus (2005).

3.3.1 Martin Simon

Martin Simon, an outspoken management consultant, developed in his dissertation (Simon, 1989) the dichotomy between the task and the market organization and that between an organization’s capacity and product function (see section 2.4). Based on these two distinctions, four types of organizations are possible (Simon, 1989, chap. 4):

- Market organizations with a product function (enterprises that design their own products and offer them for sale on the market place, such as Unilever).
- Market organizations with a capacity function (enterprises that offer their capacity to produce certain goods and services to the specifications of a client, for example an architect’s office).
- Task organizations with a product function (agencies that develop their own goods and services and offer them to all who want to call upon them, such as Social Services).
- Task organizations with a capacity function (agencies that offer their capacity to produce certain goods and services to the specifications of a client, such as the army).

Simon calls these four organizational types ‘ideal models’ and explains that ‘many organizations show an almost “natural” predisposition to allow mixed forms to develop, with internal and external frictions as its consequence.’36 (Simon, 1989,

36 In the Dutch original, Simon speaks about each of the four types of organization as an ‘ideaalmodel’ and writes ‘dat vele organisaties een bijna “natuurlijke” neiging hebben om mengvormen te laten ontstaan, die interne en externe fricties tot gevolg hebben.’
This ‘creeping process of functional transformation’ takes place in six forms. For the purpose of this dissertation, it is most interesting to examine what the negative effects are according to Simon of a task organization transforming into a market organization and what the effects are of a task organization with a capacity function developing a product function and of a task organization with a product function developing a capacity function.

Task organizations transforming into market organizations

According to Simon, the hybridisation of a task organizations will only lead to ‘an unstable situation which makes high demands on its management as well as on its principal.’ Because it can generate its own incomes now, the task/market hybrid can increase its autonomy (for example by attracting new staff and buying new means of production), which, in return, means that its principal suffers a loss of control. As soon as its commercial activities generate a substantial part of the hybrid’s budget and when this income is used by its management as an important management tool, tensions will arise between the organization and its principal.

There also will be ‘an extra pressure towards market money’ (Simon, 1989, p. 87) as the hybrid needs higher budgets to cope with its new activities. This ‘money virus’ will, according to Simon, inevitably also infect that part of the organization that still deals with its activities for the political principal, as market activities are now seen to be more important. This leads to several tensions:

‘Most task organizations are, given their output, not capable of becoming a complete market organization. This results in their management trying to broaden its selection of goods and services by asking the principal for a carte blanche (the original task will, of course, still be executed). Statutory tasks (with captive users) are also transformed into “market revenues”. Conflicts arise within the organization, with the users and the principal.’

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37 Chapter 5 of Simon’s book is called ‘Het sluipend proces van functietransformatie’.
38 See for the negative effects of a market organization changing into a task organization and of a market organization with a product function changing into one with a capacity function (and vice versa) Simon’s dissertation (1989, pp. 92-7).
39 ‘De mengvorm taakorganisatie/marktorganisatie veroorzaakt echter een instabiele situatie, die hoge eisen stelt aan zowel management als beleidsorgaan.’
40 ‘[… ] een extra druk richting marktgeld.’
41 ‘geldvirus’
42 In Dutch this passage reads: ‘De meeste taakorganisaties zijn gegeven hun output niet in staat om een volledige marktorganisatie te worden. Dit heeft tot gevolg dat het management assortimentsverbreding wenst en vrijheid van handelen aanvraagt bij het beleidsorgaan (uitgevoerd}
According to Simon (1989, pp. 98-9), the management of a task organization with a product function always has to deal with loyalty issues, as the users of its output, the organization’s staff and its principal have different ideas concerning the quality of its output. Whereas its users and staff strive for the highest possible quality, its principal rather is interested in keeping costs at bay. The organization’s management has to find ways of combining and reconciling these demands.

These differences in interests increase when such an organization starts to offer products on the market place as well, as this will according to Simon lead to the development of two opposing groups or subcultures within the organization:

‘The “product people” and the “capacity people” turn into interest groups within the task organization and its management shall only be able to control this situation with the greatest effort.’43 (Simon, 1989, p. 100)

Task organizations with a product function developing a capacity function

A third form of negative functional transformation occurs when a task organization with a product function also starts to offer bespoke solutions tailored to the specifications of some of its clients. This leads, Simon argues, to tensions within the organization:

‘The internal tensions, manifesting themselves in the quality of the characteristics of the product, will over time undermine the relation of trust between the principal and the task organization.’44 (Simon, 1989, pp. 100-1)

Summary: the dangers of hybridity

In two later texts (2005, 2008), Simon summarises ‘the dangers of hybridity’45 (Simon, 2005, p. 41) as follows:

- **Conflicting loyalties:** these occur when an organization simultaneously executes tasks on behalf of a political principal (based on values such as minimal costs, satisfying the demands of the users and the staff).
effectivity, transparency and legality) and operates on the market place, where its main incentive is to make a profit.

- **Cultural tensions:** these occur when a task organization that also engages in commercial activities, attracts new employees with a background in business. Internal tensions occur when these new employees are better paid than their colleagues and have trouble fitting into the *old* organization, as they speak another language concerning its quality and the price of production.

- **Financial difficulties:** hybridity also leads, as Simon argues, to discussions about an organization’s financial management, especially concerning a product’s cost price and the question of how it should be included in the overall price of the product.

### 3.3.2 The task group Cohen

Another influential critic of hybrid organizations is the so-called *Werkgroep Markt en Overheid*, a task force headed by Job Cohen, a Social Democratic politician and then chancellor of the University of Maastricht. His *Taskforce Cohen* was installed in 1996 by Dutch government as part of its MDW-operation because of persistent criticism by their private rivals about the commercial activities of public organizations.

The taskforce’s assignment is twofold: it was first asked to analyse how public organizations compete with commercial organizations and whether this leads to unfair competition. Based on this analysis, it should then develop recommendations for how to deal with such a situation.

The task force defines unfair competition as the existence of unequal conditions for competition as public organizations can benefit from exclusive or special market rights and writes that this problem has come on the political agenda due to three developments (MDW-werkgroep markt en overheid, 1997, p. 19):

- **Economic dynamics,** which lead to an increased use of market-type mechanisms in traditional public services.

- **Legal dynamics,** including stricter rules by the European Union concerning public organizations that operate on the market place and the so-called arm’s length principle, stating that all enterprises (also public ones) should be treated alike.

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46 MDW is the abbreviation for ‘Markwerking, Deregulering en Wetgevingskwaliteit’ (market mechanisms, deregulation and legislative quality). The whole MDW-operation ran from 1994 to 2003 and was aimed at producing recommendations on how to improve the quality of public service provision in The Netherlands.
Administrative dynamics, including the autonomization of organizations and the incorporation of commercial management practices by public organizations, which both lead to entrepreneurial behaviour and (new) hybridity.

The taskforce is critical about public organizations entering the market place as it does not see any benefits of doing so:

‘The fact that the performance level of the implementation of policies can be increased by incentives for efficiency does not mean that it is necessary to engage in market activities. […] Another argument that advocates the development of market next to task activities is that synergy might develop. This is not persuasive as a general claim. One can always argue that a public task will benefit a private activity or the other way round. However, this is not verifiable, at least not without high costs.’

Public and private organizations have to be treated equally when entering the market place, the task group proclaims, and ‘purity in the public sector’ (MDW-werkgroep markt en overheid, 1997, p. 18) has to be safeguarded, as hybridity can lead to an increase in costs or a decrease in the quality of public services as well as to ‘unclean relations […] that endanger the integrity of the public task’ (MDW-werkgroep markt en overheid, 1997, p. 20) for example when public organizations not only provide a permit for a certain activity but also perform it themselves.

According to the task group, hybrid organizations enjoy the following distinctive competitive advantages compared to their commercial rivals which destroys the level playing field (MDW-werkgroep markt en overheid, 1997, pp. 32-6):

- **Financial advantages:** as quangos, hybrid organizations do not have to pay corporate income tax as well as value-added tax (VAT) which makes their products and services cheaper than those of their commercial rivals. They can also use public subsidies to pay for their commercial activities by using cross-subsidies.

- **Advantages concerning productive inputs:** hybrid organizations can use public factors of production for free or (in the case of excess capacity) for a reduced price,

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47 In Dutch this passage reads: ‘Het feit dat het prestatieniveau van de uitvoering kan worden verhoogd door efficiëntieprikels betekent niet dat het verrichten van marktactiviteiten noodzakelijk is. […] Een ander argument dat pleit voor de ontwikkeling van marktactiviteiten naast de taakactiviteiten is dat synergie zou ontstaan. Als algemene claim is dat niet overtuigend. Er is altijd een betoog te leveren dat de publieke taak de private activiteit bevrucht of andersom. Dit is evenwel niet verifieerbaar, afhands niet zonder hoge kosten.’

48 ‘zuiverheid in de publieke sector’

49 ‘onzindelijke verbindingen […] die de integriteit van de publieke taak in het geding brengen.’

50 This has since then been changed, at least for the waste management sector, by introducing a VAT-compensation funds.
which means that their costs are much lower than those of their private competitors. As quangos, it is also easier for them to acquire financial capital with lower interest, piggybacking on the government’s good credit rating.

- **Advantages concerning the turnover of goods:** hybrid organizations benefit from government’s good image and can use information obtained through public mandate for selling their goods and services. Other possible competitive advantages include the existence of captive customers who can not chose but have to buy their goods and services from the hybrid organization.

- **Advantages concerning the mixture of functions:** hybridity makes governments play different roles simultaneously, such as that of regulator and producer, which again works to the benefit of hybrid organizations as they combine governmental authority with commercial activities. An example are municipalities that regulate the collection of household waste and also provide the service themselves by using their own collection services.

The task force also describes that hybrid organizations have to combine two conflicting cultures, as they simultaneously have to be loyal to their political principals and have to react to market pressures. This leads, according to the taskforce to internal coordination problems. Another difficulty arising for hybrid organizations is that they also have to follow regulation specific to the public sector, such as administrative law and freedom of information legislation.

The task force Cohen doubts that the competitive advantages enjoyed by hybrid organizations could adequately be controlled by merely strengthening Dutch competition law (as, among others, In ’t Veld proposes). It recommends government not to allow public organizations to engage in commercial activities anymore and proposes two remedy routes for dealing with those hybrid organizations that already exist. The first remedy route concerns splitting already existing hybrids up into a purely public and a purely commercial part (MDW-werkgroep markt en overheid, 1997, chap. 9). Remedy route 2 (MDW-werkgroep markt en overheid, 1997, chap. 12) is to also place all public tasks under full competition.

Commercial activities by public organizations should only be allowed in one of four exceptional situations, when the task force deems it to be in the public interest (MDW-werkgroep markt en overheid, 1997, chap. 10):

- One exception concerns commercial activities which are inseparably linked to the provision of public services (think of prison inmates who produce goods and services during their incarceration which are sold on the market place).
- A second exception concerns commercial activities of universities and other scientific establishment as long as they are linked to their research activities.  

- A third exception concerns the commercial use of infrastructure in the case of overcapacity.

- A final exception concerns organizations which are bound to be privatized.

- The task force develops a set of rules of professional conduct for these essential hybrids, which include the achievement of uniformity in fiscal regimes, a ban on cross-subsidies and a ban on employees simultaneously being employed in the organization’s public and commercial operations (see Figure 3.3).

<table>
<thead>
<tr>
<th>Figure 3.3 Rules of professional conduct for essential hybrids (cf. MDW-werkgroep markt en overheid, 1997, pp. 74-5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Achieve uniformity in fiscal regimes.</td>
</tr>
<tr>
<td>- Cross-subsidies are banned.</td>
</tr>
<tr>
<td>- Loan capital has to be acquired under normal market conditions.</td>
</tr>
<tr>
<td>- Employees are not allowed to simultaneously be employed in public and private operations.</td>
</tr>
<tr>
<td>- All means of production (also immaterial assets) have to be included in costing.</td>
</tr>
<tr>
<td>- There may be no captive users for commercially produced goods and services.</td>
</tr>
<tr>
<td>- Information gathered by government may not be used for commercial activities.</td>
</tr>
<tr>
<td>- The image of government (e.g., its logo) may not be used in advertising commercial activities.</td>
</tr>
<tr>
<td>- The same rules have to apply for the commercial activities of public organizations as do for private organizations.</td>
</tr>
<tr>
<td>- Public authorities (such as granting permits) may never be mixed with commercial activities.</td>
</tr>
</tbody>
</table>

3.3.3 Cohen’s aftermath: on the road to banning hybridity

The report by the task force Cohen was criticized by, among others, In ’t Veld (1997b) who writes in a newspaper commentary:

‘Cabinet informed parliament that where the provision of a public task and commercial activities used to be combined by one organization, these would now have to be separated. The so-called hybrid organization has to become an exile when these new principles are implemented. This might not seem to be of much importance, but there exist in our country at

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51 A quite obvious case of *where you stand depends on where you sit*. It is hardly surprising that Cohen, as dean of a university, made an exception for academic institutions.
this moment already thousands of such hybrid organizations, with a turnover of many tens of billions of guilders. If the cabinet sticks to its notion, this will be a dramatic societal change.\(^52\)

Another critic, Simon van Driel, in 1997 managing director of the city management service at the municipality of The Hague and now a Social Democratic senator, writes:

‘This position [concerning splitting hybrid organizations into a public and a private part, PMK] keeps up petrification and leads to inflexible governmental agencies on policy fields where it can be useful to compete with the market. Breaking this petrification open is in the public interest.’\(^53\) (Van Driel, 1997)

However, the recommendations made by the task force Cohen were embraced by the second purple cabinet of Prime Minister Wim Kok, a Social-Democratic, Liberal and Progressive coalition, which made drafting a law dealing with hybrid organizations part of its coalition agreement (Regering, 1998, p. 75). It asked the Social and Economic Council of the Netherlands (SER) to advise on the elements a bill banning hybridity should comprise. To be able to already regulate hybrid organizations in the meantime, prime minister Kok issued guidelines for public organizations entering the market place the same year (Ministerie van Algemene Zaken, 1998).

The report the SER issued the following year (Sociaal-Economische Raad, 1999) does not comprise a direct ban of hybridity but outlines several strict market entry rules. An agency may only enter the market place, the SER proclaims, with the permission of a legislator. Other market entry rules are a test whether the agency’s commercial activities are in the public interest and a cost/benefit analysis. Mixing conflicting roles (such as those of regulator and agent) is forbidden.

Based on the recommendations by the task force Cohen and that of the SER, the Kok government in 2001 drafted a bill (the so-called Wet Markt en Overheid) (Tweede Kamer der Staten-Generaal, 2001), that would for all intents and purposes ban commercial activities by public organizations by imposing strict market entry rules as well as rules of conduct (see Figure 3.4).

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\(^52\) ‘Het kabinet heeft nu aan het parlement laten weten dat op plaatsen waar de vervulling van een publieke taak en het handelen op de markt door één organisatie tot nu toe nog samengingen, deze vanaf nu gescheiden moeten worden. De zogeheten hybride organisatie moet bij het doorvoeren van de nieuwe uitgangspunten een banneling worden. Dat lijkt misschien niet zo belangrijk, maar er bestaan in ons land op dit moment al duizenden van die hybride organisaties, met een omzet van vele tientallen miljarden guldens. Als het kabinet dus aan zijn opvatting vasthoudt, gaat het om dramatische maatschappelijke veranderingen.’

\(^53\) ‘Het standpunt houdt verstarring in stand en leidt tot inflexibele overheidsorganisaties op terreinen waar het zinvol kan zijn zich met de markt te meten. Het doorbreken van die verstarring is een publiek belang.’
The draft law aims at creating a level-playing field for public and private organizations on the market place by introducing market entry rules as well as rules of conduct.

Market entry rules: agencies may only enter the market place after a process of democratic decision making, based on a law or a decree, which describes the goods and/or services to be produced as accurately as possible. Relevant stakeholders have to be invited to comment on any plans for market activities of agencies. It also has to be made clear, (1) which general interest will be served by operating on the market place, (2) what the effects of market activities by agencies will be for enterprises and citizens already operating in the market and (3) which financial means shall be used in order to finance these activities. Each market activity will periodically be assessed and the proper execution of the market entry rules will be monitored by a commission.

Rules of conduct: these rules apply to agencies already operating in the market place. First, all direct and indirect costs have to be included in costing, which is supposed to prevent cross-subsidies with public money. Second, confidential data may not be used in market activities. Other data collected by government may only be used if it is made accessible for other parties as well. And third, statutory and commercial activities have to be executed by different organizational units, which is meant to prevent the combination of conflicting roles.

This draft law was immediately heavily criticised by scientists, professionals and even the Dutch Council of State, the highest advisory body to the Dutch government (R. in ’t Veld, 2003; De Ru, Peters, & Sylvester, 2003). Their criticisms focus on four main complaints: (1) the language used in the draft is rather ambiguous which makes it unclear what its scope is, (2) the draft unduly limits the autonomy of governments, (3) it only is a sign of an advancing juridification of politics and (4) such an umbrella bill is redundant as other laws already cover most of the problems it is meant to tackle.

These complaints and the change of government in 2001 which saw a coalition between Conservatives, Liberals and right-wing Populists gain power meant the law banning hybridity never made it into parliament. The second government of conservative prime minister Jan-Peter Balkenende, a coalition between Conservatives, Liberals and Progressives, eventually withdrew it in 2004.

In 2009, new legislation concerning hybrid organizations was discussed by proposing adding rules of conduct for agencies conducting market activities into Dutch competition law. These rules can be seen as the lowest common denominator, as they include several exceptions and one important legal loophole, as governments can decide whether or not a commercial activity conducted by an agency is in the public interest and therefore not subject to the new rules (see Figure 3.5). At the time of writing this new bill still is under consideration at the First Chamber of Dutch parliament.
The proposed additions to Dutch competition law do not apply to a wide range of organizations, such as schools, the Netherlands Organization for Applied Scientific Research (TNO) and public broadcasting organizations. They also do not apply to public organizations trading with each other. Commercial activities that are deemed to be in the public interest also are exempt from the new rules. Whether or not an activity is seen to be in the public interest, is up to government.

The following rules of conduct apply to all agencies conducting commercial activities that do not fall under the exceptions mentioned before:
- Integral costing: all direct and indirect costs have to be included in the cost price.
- Preferential treatment: government authorities may not give preferential treatment to state-owned enterprises.
- Use of data: confidential data may not be used in market activities. All other data has to be made publicly accessible.
- Mixing of roles: executive and / or legislative roles (such as granting a permit) may not be combined with commercial activities.

3.3.4 Other critics


De Jong

De Jong, an organizational consultant, claimed in an article published in 1998 that the position of a customer of a commercial enterprise is totally different compared to that of an agency’s client (De Jong, 1998). The customer knows that market forces will ensure that he pays a fair price for good quality. His relationship with the service provider is based on a contract that can legally be enforced and he can always chose another provider. The customer of a commercial organization, finally, does not own any property rights in the organization he buys goods and services from.

A client of a public organization deals with a monopolist. Contracts with public bodies can only be challenged with difficulty and most clients can not switch providers (and hence are no customer in the strict sense of the word). Some clients of a public organization also hold property rights.

According to De Jong, the different roles of customer and client should not be combined within a hybrid organization (that sells commercial services to customers and provides statutory tasks to clients), as this will only lead to the organization neglecting its clients in favour of its customers:

‘When the management of a hybrid organization has to chose whether to stick with might and main to its contract with a commercial customer or that with a public client, then it is
obvious that it will chose to shun the biggest pain and help that customer first that can take it to court, fine it or that can even walk away.'54 (De Jong, 1998)

De Jong does not believe that there are any benefits in hybridity and criticises those brought forward by, for example, In ’t Veld. According to him, hybridity leads to at least five negative effects, which make him conclude that hybridity should better be shunned all together:

- The position of a hybrid organization’s public client will always be much weaker than that of its commercial customers.
- Commercial activities are financially and psychologically more appealing than statutory tasks, which means that those are in danger of being neglected.
- The strategic goals of enterprises and agencies (profit maximization versus more complex political and societal goals) can not be combined within an organization. Trying to do so, will only lead to tensions and negative effects for citizens.
- The culture and ethics of commercial activities and statutory tasks can not be combined.
- Costs can not adequately be calculated for public and private activities.

**Stevens**

In an article published in 1998, Henrik Stevens described several shortcomings of hybrid organizations (which he describes as ‘mongrels’55 (Stevens, 1998)). Their biggest problem is in his perspective their organizational schizophrenia, which leads to devastating internal value conflicts. According to Stevens, hybridity also leads to an organization displaying opportunistic behaviour which undermines trust in relationships with others, as well as to confusion concerning competencies, as it is not clear who is responsible for what and when. This will, finally, result in a power vacuum.

Stevens also concludes that hybridity is a major obstacle for organizational learning:

‘At last, it can be expected that hybrid organizations, because of their elusive character, will become too much focussed on themselves and will not be able anymore to adequately react on

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54 ‘Wanneer het management van een hybride organisatie moet kiezen tussen het met man en macht voldoen aan het contract met een private opdrachtgever of aan het contract met de publieke opdrachtgever, dan ligt het voor de hand dat gekozen zal worden voor het vermijden van de meeste pijn en dat de opdrachtgever die de hybride organisatie voor de rechter kan slepen, boetes kan opleggen of zelfs kan weglopen, als eerste geholpen wordt.’

55 ‘bastaardvormen’
impulses from their surroundings. They as it were were spin out of control in their own world, through which innovation and quality improvements fail to occur’.\textsuperscript{56} (Stevens, 1998)

Gradus

A final critic of hybrid organizations is Raymond Gradus, who served as one of the three secretaries of the taskforce Cohen. In his inaugural lecture as part-time professor at the Free University of Amsterdam, Gradus asks himself whether commercial activities are not seen by many governments as ‘a panacea for public failure’. He advises public organizations to ‘stick to their last’ (Gradus, 2005) as ‘there is, in my opinion, no crucial proof for idolizing hybridity’\textsuperscript{57} (Gradus, 2005, p. 9).

Gradus is no advocate of a total ban of hybrid organizations (as the task force Cohen had been) but writes that hybridity should be handled with care and should only be attempted when mixing public and private clearly is in the general interest. This is, in his view, for example the case when commercial activities by agencies are used to correct market imperfections (such as de facto monopolies of private enterprises in the market for waste collection, (cf. Gradus, 2005, chap. 3)).

But Gradus also describes hybridity’s dangers (Gradus, 2005, chap. 5). Because of them, commercial activities of agencies should be more or less a last resort, he claims. Gradus writes that hybridity can first of all lead to opportunistic behaviour when hybrid organizations mainly focus on their own self-interest. A second danger of hybridity concerns mixing public and private organizational cultures. According to Gradus, commercial values will always dominate public values.

3.3.5 Summary: the risks of hybridity

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 economic, performance related, cultural and governance related risks. I will use the spider charts in my case studies as an indicative-diagnostic tool to point me to those dimensions on which an organization’s new hybrid status might lead to these hazardous effects.

\textsuperscript{56} In Dutch this passage reads: ‘Ten slotte mag verwacht worden dat hybride organisaties, vanwege hun ongrijpbare karakter, teveel op zichzelf gericht raken en niet meer adequaat reageren op prikkels uit de omgeving. Zij raken als het ware doorgedraaid in hun eigen doelrationele uitleg, waardoor innovaties en kwaliteitsverbeteringen uithijven.’

\textsuperscript{57} ‘Voor een verheerlijking van hybriditeit ontbreekt mijn inziens het noodzakelijke bewijs’, Gradus claims in his text which has the title \textit{Marktactiviteiten een panacea voor publiek falen?} \ldots{} \textit{SCHOENMAKER BLIJF BIJ JE LEEST!}
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.

I expect the possibility of negative economic effects to be limited to organizations that are hybrid on those dimensions of my model which I summarized as dealing with structure & activities.

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) tasks.58

I expect the possibility of negative performance related effects to be limited to organizations that are hybrid on those dimensions of my model which I summarized as dealing with structure & activities.

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

58 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).
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.

I expect the possibility of negative cultural effects to be limited to organizations that are hybrid on those dimensions of my model which I summarized as dealing with strategy & culture.

**Governance related risks**

Stevens and Gradus 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.

I expect the possibility of negative governance related effects to be limited to organizations that are hybrid on those dimensions of my model which I summarized as dealing with governance.

### 3.4 An evaluation of both approaches

In the Dutch debate on hybrid organizations since the 1990s several arguments have been brought forward in favour and against hybrid organizations. These are mostly described in a black and white manner (see Figure 3.6 below).

**Figure 3.6 Benefits and risks of hybridity**

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

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, as they are, especially in the cases of Roel in ’t Veld and Martin Simon, based on many years of experience in the public sector. However, most arguments used both by advocates and adversaries of hybrid organizations are based mainly on anecdotal evidence and only for a limited part on scientifically collected and analysed 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 centred about 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.

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.

Also 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).

Also hybridity’s performance related effects 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 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 too. Introducing market values in public organizations can have a positive effect as it increases costumer-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.

3.5 Summary

I answered the second analytical research question of this dissertation in this chapter, which is: What could be positive and negative effects of hybridity? I did this by conducting a literature review, summarizing the arguments brought forward in favour and against hybrid organizations since the 1990s by the most relevant Dutch advocates and adversaries. I then compared and critically examined both arguments.

In the next chapter I outline my research strategy and describe how I conducted my three case studies using the insights from this and the preceding chapter.