Heads and tails: both sides of the coin: an analysis of hybrid organizations in the Dutch waste management sector
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7. Case study 2: DICK

7.1 Introduction

My second case study took place at an organization active in waste collection, waste disposal and infrastructure maintenance, which I will call DICK. DICK was a corporation owned by several municipalities. It collected the waste of about 93,000 households and arranged for its disposal at an incineration plant. From 2006 on, it also maintained the public infrastructure of one of its shareholding municipalities after incorporating the municipal department and staff that had originally been responsible for these activities.

In 2006, I was given the opportunity to study DICK’s hybrid character. I was granted access to confidential internal documents, observed meetings and conducted 15 one-on-one interviews with both key people from within the organization as well as its most important external partners. I also conducted a discussion with 5 members of DICK’s operational staff.

I have split my findings in two parts: first I will discuss the history and background of the organization (7.2). I will then describe how and why it transformed into a hybrid organization, which effects this had and how they were dealt with (7.3). Each of these parts focuses in turn on DICK’s structure and activities, its strategy and culture, and governance and politics. In this chapter’s final section (7.4), I will summarize by listing my key findings.

7.2 History and background

7.2.1 Structure and activities

It used to be common practice for municipalities to dump the waste collected by their municipal waste services at their own landfill sites. This practice was banned at the beginning of the 1970s, leaving incineration as the only legal form of waste disposal. However, at the same time there was a national shortage of incineration capacity. Because of this shortage, incineration companies could pick and choose their customers and set their price. This situation posed a dilemma especially for small and

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76 I already published a short account on this case study together with one of my supervisors in Karré & In ’t Veld (2007).
mid-sized municipalities which were not interesting customers for the incineration companies due to the comparatively small amount of waste they collected.

In 1974, nineteen municipalities in the west of the Netherlands decided to collectively solve this dilemma by establishing Dick as a group purchasing organization with the legal form of a local joint venture. The municipalities kept their own waste collection services but Dick purchased capacity at a waste incineration plant on their behalf and stored their waste at a trans-shipment centre before it was transported to the ovens. Dick also supported the municipalities in formulating a regional waste policy. The organization conducted these activities at cost price, which was calculated by dividing the total costs by the amount of waste each municipality delivered.

At the end of the 1990s, the waste management sector had developed into a dynamic market place, dominated by a number of big internationally operating companies active in several market segments. The municipalities of the joint venture reached the conclusion that in this new market environment Dick had no future as an independent organization, and that the same was true for the waste collection services of the seven municipalities that had not yet outsourced this activity to a commercial party. This led to talks among the municipalities about a merger which they hoped, I was told in interviews with aldermen, would create a new market-oriented waste management company. In 2000 this process was given the go-ahead. At this point, the municipalities expected that the merger could easily be concluded within two months.

A new director was brought in to manage the merger and to transform Dick into a market-oriented waste management company. He had, after a stint as officer in the Dutch army, earned his spurs in the waste management sector, having worked for both a commercial and at a public waste management company. To me he made the impression of a self-assured man, who knew his strengths and weaknesses. He also struck me as a hard worker who often spent evenings and weekends developing his vision for Dick’s future.

Together with the new managing director, both a new financial and a new HR manager joined the organization. Dick was the first public organization the financial manager had ever worked for. He told me he had expected to find an overregulated organization but was surprised by what he perceived to be Dick’s lack of professionalism and organization.

Dick’s managing director told me it quickly dawned on him that concluding the merger within two months, as the municipalities had proposed, would be impossible. Both Dick and the municipal waste collection services had not been managed properly in the past, he explained. Its employees had enjoyed a lot of freedom and were not
eager to part with it. And the municipalities had no clear vision of what they wanted their new market-oriented waste management company to look like.

It eventually took until 2001 for Dick to be merged with the waste collection services of four municipalities. Three others had decided not to partake after all. Of these, two decided to be better off keeping their individual collection services and the third had received an offer from a commercial waste management company it couldn’t refuse.

Dick now not only purchased incineration capacity, but also collected waste and provided sanitation services, such as street cleaning, snow and ice clearing and pest control. It ran several regional drop-off stations where citizens could bring their bulky and hazardous waste, and advised individual municipalities on their waste management policy. The organization received a lump sum budget to cover the costs of these activities.

In 2002, just before its autonomization, Dick had had a turnover of about €25.5 million and generated a profit of about €30,000. According to the annual report, by 2006 this had grown to a turnover of about €38.2 million and profits of about €1.6 million (see Figure 7.1).

Figure 7.1 Financial development Dick (based on overview in annual report 2006, all amounts in millions and €)

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<thead>
<tr>
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<th>2002</th>
<th>2003</th>
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<th>2005</th>
<th>2006</th>
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<tbody>
<tr>
<td>Turnover</td>
<td>25.5</td>
<td>25.5</td>
<td>26.1</td>
<td>27.2</td>
<td>38.2</td>
</tr>
<tr>
<td>Profit</td>
<td>0.03</td>
<td>0.06</td>
<td>0.08</td>
<td>1.0</td>
<td>1.6</td>
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Dick had 148 employees, its annual report of 2006 stated, with an average age of 44.6 years. The annual report states that this is a rather high average age compared to the 35 year average for Dutch industry in general, but not uncommon in the waste management sector.

The merger first met the resistance of the newly established organization’s staff, which went on strike on its first day. Dick’s managing director told me it took quite some efforts to calm them down again.

7.2.2 Strategy and culture

As a group purchasing organization, Dick had a very limited scope of activities. Its sole raison d’être was to leverage the combined purchasing power of the nineteen municipalities and thus achieving economies of scale. After the merger with several
municipal waste collection services, the organization expanded its activities by collecting waste but did not branch out beyond the municipalities of the joint venture.

Several members of its management team I interviewed referred to Dick’s culture at this time as ‘bureaucratic’. Its financial manager even referred to it as a ‘1950s style bureaucracy’. The organization was hierarchical and its leadership based on power and authority. Every year Dick received a lump sum budget from the municipalities to cover its costs. According to several people I spoke to, this led to a situation where ensuring the entire budget was spent at the end of the year was more important than trying to work more efficiently and effectively.

The members of Dick’s management team also told me that in the past the organization had been very badly run. There was no professional financial management and the quality of its other business processes was wanting too. There had been no real HR management, Dick’s managing director and its new HR manager stated. The lack of any sort of management and especially that of HR management was according to several interviewees mainly due to the fact that municipalities in general do not really care much about their waste management organizations, which they mostly staff with people who other departments want to get rid of. These interviewees assured me this was also true for Dick, which according to the chairman of its supervisory board had been used as a dumping ground (or the possibly even less flattering ‘afvalputje’ – waste drain – in Dutch) in the past for employees who did not function properly at other departments.

The organization’s employees could in the past more or less do what they wanted and many saw the organization as their own little playground. One example of this, mentioned to me by amongst others a member of Dick’s work council, was that the staff of Dick’s regional drop-off points had sold valuable waste materials such as copper and aluminium for their own profit. This was theft and against the organization’s regulations, yet tolerated in the past.

Dick’s managing director also told me there was a lot of internal politics going on, especially at the level of the organization’s middle management. One example he gave was that some of the organization’s area managers (or ‘rayoncoördinatoren’ in Dutch) had created little fiefdoms (or ‘koninkrijksjes’) for themselves which they ruled in an autocratic manner. Dick’s new HR manager told me that at this time managers were appointed based on how long they had worked for the organization rather than because of their leadership skills. This meant that not necessarily the best people were promoted to the position of area manager.
7.2.3 Governance and politics

As a local joint venture, DICK was run by a general and an executive board. Both were manned by aldermen. DICK’s managing director had no authority to take any decisions without approval by these two bodies. According to a running gag, recounted by numerous interviewees, he was not even allowed to decide where to put a stamp on an envelope.

A relatively straightforward decision (e.g., buying a new waste lorry) would in this setting take more than half a year and sometimes even longer, DICK’s managing director complained, as meetings of the boards often lacked a sufficient quorum. According to several of DICK’s managers and some aldermen I spoke to, this was because most of the aldermen staffing these boards, especially those from smaller municipalities, did not think of waste management as a very important subject, especially since there were few complaints from citizens.

7.3 Hybridity and its effects

7.3.1 Structure and activities

Simultaneously with the discussions leading up to the merger, DICK’s managing director started a debate about autonomizing the organization. In 2000, he called a meeting of the general board where its members identified several problems due to the organization’s legal form as a local joint venture. These problems were later included in a proposal to autonomize the organization, written by the managing director and a consultant who had in the past led the organization on an interim basis.

The problems identified by the aldermen can be summarized as follows: (1) Meetings of both boards often lacked a quorum, which seriously delayed decision making. (2) DICK could only offer generic products as the municipalities had a collective financial liability and refused to run risks for any activities that did not benefit all of them. (3) The municipalities fulfilled both the role of service provider and client, which could incite conflicts of interests. (4) DICK’s managing director had no room to manage, as the organization’s two boards had to take virtually every decision. There was also no clear division of duties and responsibilities between the director and the two boards.

In his proposal, DICK’s managing director stated that the municipalities could overcome these issues by autonomizing DICK as a municipal corporation. This would, he argued, make the organization more decisive, strengthen its market position and give him more room to run it in a businesslike manner. As an autonomized organization, DICK could offer more custom-made waste solutions and would have a
greater incentive to offer good prices and increase the quality of its service provision. Autonomising the organization would also, the managing director argued, lead to a stricter separation of roles between the organization and the municipalities, limit their financial liabilities as well as the number of meetings each of them had attend.

These proposals coincided with the municipal elections of 2002 and were, DICK’s managing director told me, not welcomed with much enthusiasm by the municipal politicians during the election campaign. They finally agreed just before the elections to autonomize DICK as a municipal corporation by 1 July 2003 but only after intense lobbying by the managing director. Each municipality of the joint venture received as many shares in the new company as it had inhabitants.

To address fears among employees that the autonomization would eventually lead to privatization and to prevent another strike such as that after DICK’s merger, a condition was added to its charter stating that only local authorities could own shares in the new company. Also, a municipality wanting to sell its shares first had to offer them to the others.

On the whole, DICK’s managing director put a lot of time and energy in informing the organization’s workforce why he considered the autonomization to be necessary and what its effects would be for them, especially concerning their legal status as civil servants. He told me he did this to prevent a repetition of the strike that had broken out when DICK was merged with several municipal sanitation departments. Because of the autonomization, DICK’s employees lost their legal status as civil servants but were compensated with a social plan granting them similar privileges.

DICK’s managing director and its financial manager told me that they experienced the period right after the autonomization as being thrown in at the deep end. According to the managing director, this was a period of hard graft (he used the Dutch term ‘tropenjaren’, years which count double). The financial manager recalled it as a period that necessitated ‘crisis management’. First of all, there was a maintenance backlog. The municipalities had, the two told me, not invested in the organization for quite a while, anticipating that an autonomization would come sooner or later. The organization’s offices were dilapidated and its employees had to work at desks that were ‘literally pulled out of a garbage container’, or so DICK’s financial director recalled. He also told me:

‘When an organization is put at arm’s length in this manner, then there is no time to manage everything properly right away. For example, we still depended on the municipality for our computer network. We had an understanding with the municipality that we could still use their network for some time after the autonomization. But on the day of the autonomization someone cut the cables and we had to scramble to find a company that would build us a new network. It was constantly necessary to organize things in a hurry or to apply emergency measures
somewhere. At the beginning our work was very ad hoc, we hardly had time to structure our work.’

It also took DICK’s financial manager quite some time to get the organization’s administration and accounts in order. The financial administration was so disorganized that it took the organization half a year to send out its first invoices. The financial manager had been told by his predecessor that there were draft contracts between the organization and the municipalities which could be signed quickly:

‘In the end this unfortunately proved to be yet another story that was not true. It took us more than a year to sign contracts with the municipalities. Bit by bit we discovered which skeletons lurked in the closet. Only when we did not find any more of them, did I develop the feeling that everything was going the right way.’

As an autonomized organization, DICK still had the same two main activities it had had before. It purchased incineration capacity for all the municipalities (now its shareholders, see 7.3.3) based on a multilateral contract, charging a tariff that covered the costs of this activity. It also provided waste collection and sanitation services. DICK’s managing director had made the conscious decision not to compete in the commercial waste management market, as he understood that his organization was not competitive enough. According to him, DICK’s strengths lay in the municipal waste management market, as it knew exactly what the waste management needs of municipalities were.

In 2006 DICK expanded its portfolio though when, as a result of a municipal economy drive, the infrastructure maintenance department of its biggest shareholder was taken over by the organization, together with all its employees. From now on DICK also carried out a wide range of maintenance functions for this municipality, such as maintaining its sidewalks, streets, harbours, bridges and streetlights.

Now that the organization was autonomized, the services it provided to municipalities were based on unilateral contracts. DICK was no longer paid a lump sum budget to cover the costs of these activities but was paid based on the conditions laid down in the service level agreements each contract included.

One member of DICK’s works council described this change as follows:

‘We were messing around a lot in the past to achieve our results. We had a certain budget which, as is common in a municipal setting, had to be spent by the end of the year. Therefore, our main target was doing exactly that. This is totally different to what we do now. We now try our best to be more efficient so that our customers have to pay less. It is not our paramount aim to generate fat profits for the organization but rather to achieve a profitable output for the municipalities by delivering quality services for a justifiable price.’

By contracting their waste collection and sanitation duties out to their own corporation, municipalities could avoid the need to tender for these services, which was an advantage especially for DICK’s smaller shareholders that lacked the expertise
necessary to organize such a tender. This arrangement also suited DICK who, according to its managing director, was not yet competitive enough to win tenders. Its financial manager and the secretary of the management team told me that the reason why the municipalities granted contracts to the organization, even though it was more expensive than its private competitors, was its intimate knowledge of their waste management needs. The municipalities also thought that it was easier to control and influence an organization such as DICK, compared to a purely commercial enterprise.

However, this did not apply to all municipalities. DICK’s shareholding municipalities were no captive customers. They compared the organization’s cost/performance ratio with those of other waste management companies and decided on the basis of this benchmark whether or not to employ DICK. Six shareholding municipalities did not buy waste collection and sanitation services from DICK. One of them was the organization’s second largest shareholder, who had in 2001 also decided not to have its waste collection service merge with the DICK. The municipality’s aldermen told me that they thought that their own municipal organization could provide waste collection and sanitation services in a more cost-effective manner than DICK. Other municipalities did not employ DICK because they had already signed contracts with other, commercial waste management companies which had not run out yet.

7.3.2 Strategy and culture

In order to change DICK’s bureaucratic culture and make the organization and its workforce more businesslike, DICK’s managing director introduced team based working right after the organization’s merger with four municipal waste collection services. By forming teams and making them responsible for how they carried out their work, DICK’s managing director hoped to break with the old hierarchical culture of the organization in which area managers had a lot of power and authority (see 7.2.2).

These managers now had to learn how to function as team leaders that decided together with their team members of how to best organize their responsibilities. To help them make this shift, all future team leaders were asked to attend courses on leadership and were offered individual coaching.

However, several interviewees on the managerial level told me that in practice the change from a hierarchical organization to one with autonomy for self-steering teams proved to be more difficult than DICK’s managing director had anticipated. First of all, not all area managers turned out to be capable of functioning as team leaders. I was told many left the organization, which in some cases led to a power vacuum and the need for the same top-down interventions, even though that was exactly what the new system was supposed to put an end to. Most teams also struggled with their new freedom and needed support on how to organize their work in this new manner.
A second step taken by DICK’s managing director to make the organization’s culture more businesslike, was to ask a team of management consultants to start with a cultural transformation project. This process entailed asking the organization’s employees what they thought the core values should be if the organization was to operate in the market place, and how those could be achieved. However, this project had only just started when I did my research at DICK and had not yet yielded results.

According to several interviewees, DICK was now well on its way to transform into a professional and entrepreneurial organization. Several of its operational staff I interviewed told me that they thought DICK was more businesslike than before with a new focus on results. They now had to work harder and longer hours and their performance was controlled better than before. DICK’s HR manager told me for example:

‘We had many problems with our municipal contracts [just after the autonomization, PMK]. It was often not clear what precisely was agreed upon and often tasks were executed differently to what was agreed. We now control this more strictly. Since the autonomization, control and accountability have become very important and we are busy to translate this into policies and procedures.’

There were now not necessarily more rules and procedures but those that had been in place all along were now finally enforced. Illicit behaviour that had in the past generously been overlooked, like theft at drop-off points, was now punished. A member of DICK’s works council described this new regime as follows:

‘Everything was tolerated before and now there are rules. Some still find it hard to get used to this. Especially the behaviour of the field staff [ie, those working at drop-off points, PMK] is better monitored now. These people feel limited in their autonomy as they were used to a different situation before. It was for example common practice for them to keep copper and aluminium aside and sell it for their own profit. Some people found it hard to get used to the fact that this is not tolerated anymore. This is why there have been dismissals recently as some still went on with these old practices.’

Another change for DICK’s employees, its financial manager told me, was to learn that operating in a businesslike manner meant to be cost-conscious first and service-oriented second. They could not, for example, do citizens a favour anymore by taking away any bulky waste they encountered next to a household’s waste container. They were only allowed to do that on certain days every year, since DICK’s municipal customers only paid the organization for the collection of bulky waste on a set number of days per year.

Even though they were expected to work harder and adhere to more rules and procedures than before, DICK’s operational employees I spoke to during a group discussion told me that they were happy with these changes as they would make their organization sustainable and future-proof. They also did not mind that there were strict rules regulating their work and behaviour, as long as these rules applied to everyone and not only the operational staff of the organization. I had the impression that this
positive stance of the organization’s employees towards these cultural changes was mostly due to the strategy Dick’s managing director had chosen to present them. He had not tried to push these changes through top-down but asked groups of employees to flesh them out, while he and the other directors spend a lot of time explaining to their staff why they thought these changes were necessary.

From the outside, Dick already seemed more like a commercial enterprise, especially in comparison to other municipal organization that had not yet been autonomized. The manager who directed Dick’s new infrastructure maintenance department and who had, just like his staff, been moved to Dick, told me for example about the trepidations of his employees when they heard that their department would soon be incorporated into Dick:

‘They saw it as a commercial enterprise and had heard all kinds of stories about it, for example that there would be a lot of steering and a lot of rules. And that you better not make any mistakes if you don’t want to be fired.’

These new employees also brought another culture into the organization. Several interviewees on Dick’s operational level told me that people in the waste business look at the world in a different way than those in the infrastructure game. Another big difference between these two groups was that Dick’s new employees had not experienced the autonomization process and the discussions that led up to it. Dick’s veterans told me that they thought that they already behaved in a more entrepreneurial manner than their new colleagues.

It was Dick’s older employees and those that worked at the organization’s new infrastructure maintenance department that still had to get used to its new entrepreneurial culture. The member of Dick’s work council I interviewed for example told me:

‘Especially our older employees still have to get used to the more businesslike culture at [Dick]. They still stick to what they think their rights are. For example, in the past our road sweepers stopped work at 3.30 even though their shift did not end until 4 o’clock. This behaviour is addressed now. New people understand that and it is easier to explain to young people why we do this. The people from infrastructure maintenance follow an altogether different approach. They still have to make the switch and this costs a lot of time. We constantly have to explain where we stand, where we want to go and why [Dick] is different from how it was at the municipality. Also the budget plays a role in this. We don’t try to spend all the money anymore, no, we actually need to have some money left at the end of the year. It frustrates me how much time it costs and how often one has to repeat oneself.’

7.3.3 Governance and politics

Following Dick’s autonomization, the executive board of the local joint venture was transformed into the organization’s supervisory board. Representatives of the
municipalities now met at least once a year as shareholders, replacing the general board.

According to an overview published in DICK’s company newsletter at the time of its autonomization (see Figure 7.2), the two main tasks of the annual shareholders’ meeting were to approve the organization’s annual account and to decide how to allocate its profits. In order to prevent conflicts of interest, DICK’s management urged municipalities not to mix the roles of shareholder and customer and thus not send the alderman responsible for the municipality’s waste management policy to these meetings.

*Figure 7.2 Tasks and authorities of actors in Dick’s governance arrangement (based on overview printed in company newsletter)*

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<th>Shareholders</th>
<th>Distribute shares</th>
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<td></td>
<td>Approve the organization’s annual account</td>
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<tr>
<td></td>
<td>Decide how to allocate its profits</td>
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<td></td>
<td>Change its statute</td>
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<tr>
<td></td>
<td>Dissolve the company</td>
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<td></td>
<td>Appoint the managing director as well as the members of the supervisory board</td>
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<table>
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<tr>
<th>Supervisory Board</th>
<th>Monitor and advise the organization’s managing director</th>
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<tbody>
<tr>
<td></td>
<td>Approve important decisions</td>
</tr>
<tr>
<td></td>
<td>Confirm the organization’s annual account</td>
</tr>
<tr>
<td></td>
<td>Appoint and dismiss the members of its management team</td>
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<table>
<thead>
<tr>
<th>Managing Director</th>
<th>Manage the organization</th>
</tr>
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<td></td>
<td>Represent it to the outside world</td>
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DICK’s supervisory board, whose main tasks according to the newsletter were to monitor and advise the organizations management team as well as to approve important decisions, consisted of seven members. Four of them were political appointees designated by the organization’s shareholders based on rules laid down in the organization’s statute. DICK’s two largest shareholders, two towns of about 70,000 inhabitants, were allowed to appoint one each. The two other board members were appointed by the organization’s smaller shareholders. At the time of my research, these board members were all either serving or former aldermen. The three non-politically appointed board members, among them the chairman and his deputy, were designated by cooptation. One of them, and the only female board member, had been nominated by DICK’s works council.
Dick’s managing director now had more freedom to manage the organization autonomously, together with the other members of its management team. These were the financial and the HR manager as well as the two managers responsible for a waste management and infrastructure maintenance.

One of the reasons why Dick’s managing director had been lobbying for an autonomization was to speed up its decision processes. In the setting of local joint venture, the managing director had no autonomy as all decisions had to be taken directly by the aldermen that staffed its general and executive board.

After the autonomization Dick’s managing director had more freedom, although the most important decisions still had to be taken by the shareholders at their annual meeting after careful consideration by the supervisory board. The same problems that had plagued the organization as a local joint venture, persisted, as it more often than not proved to be difficult to lure enough aldermen to attending these meetings so that a quorum could be constituted. Some aldermen chose not to attend the meetings themselves but delegate a civil servant in their place. These civil servants often had no authority to decide on anything but had been told only to listen carefully and report back. Because of this lack in attendance, Dick’s shareholders’ meetings often were rather short and trivial, I was told by the chairman of its supervisory board, who also chaired the annual shareholders’ meetings. He told me that this was a sign that the shareholders trusted the organization. Dick’s managing director on the other hand felt frustrated by it.

Fierce discussions scarcely took place at the annual shareholders’ meetings but were not unheard of. I could read in the minutes of the board’s meetings that in the past two topics had led to a standoff between the organization and its shareholders. The first concerned the question whether Dick should use its profits to build up financial buffers or rather to pay out dividends to its shareholders, for example by lowering its tariffs. On paper each of Dick’s shareholders was entitled to a dividend, even those that did not have their waste collected by the organization. This frequently lead to tensions between those shareholders that did and those that did not buy the organization’s waste collection and sanitation services, as the first, I heard in interviews with aldermen, suspected the latter of cherry picking.

A second topic which led to tensions between Dick and its shareholders and to two exceptionally fierce shareholders’ meetings in 2005 was the question whether the organization should extend its services by incorporating the infrastructure maintenance department of its biggest shareholder. During the times of the local joint venture, the proposal to do so would have reached the other municipalities directly via the general and the executive board. Reading the minutes of the first shareholders’ meeting in 2005, I got the impression that they felt affronted since they had only been informed of
these plans after they had already been formalised by DICK’s managing director and its supervisory board. They had their doubts about this decision and were afraid that by incorporating this service, DICK might acquire a pig in a poke. A second meeting had to be called and DICK asked to provide its shareholders in the meantime with more information on what the benefits and risks were of incorporating the municipal department. It still took DICK’s managing director and the chairman of its supervisory board quite some time and effort during the second meeting to explain to the shareholders why they thought that the decision to incorporate the municipality’s infrastructure department was a sound one but this decision was finally approved.

The secretary of the board told me that some municipalities also treated DICK as if it still was a local joint venture when purchasing its services. They felt that it was their right to know exactly how the organization priced its services and calculated its overhead. However, most of the organization’s customers were not very interested in how it conducted its services, DICK’s waste collection manager told me. This was due to the fact, she stated, that most municipal civil servants switched jobs so quickly that they did not have much time to delve into the subject at hand. DICK’s financial manager attributed this lack of interest to the contempt of many municipal civil servants of waste management and those involved in it:

‘In the eyes of municipalities waste is really no more than that: waste. Civil servants at municipalities look at waste management organizations with a certain disdain. Compared to other topics, waste does not score high on their list of priorities.’

DICK’s supervisory board had a hybrid composition, as it consisted of political and non-political appointees. Each group was confident that itself had the most meaningful contribution to this body. When I interviewed them, the political appointees, who were (or in one case used to be) aldermen, claimed that DICK benefited from their special knowledge of the waste management needs of municipalities and their political expertise.

The non-political appointees stated that the organization benefited from their broader knowledge of the waste management sector and their experience in business. These board members had various backgrounds. The board’s chairman had been an interim manager at DICK when it was still a local joint venture and had worked as a management consultant and project manager for municipalities. His deputy had been an accountant. The third non-political member of the board still had a day job as a schoolmaster.

The board’s political appointees acknowledged in our interviews that they had double binds which forced them to simultaneously wear several hats. However they did not see this as too big a problem. One of them, an alderman of DICK’s biggest shareholding municipality, put it like this:
‘I apply myself 100 % for the organization as member of the supervisory board, but this of course can not mean that I have to renounce myself as councillor of my municipality. I also apply myself 100 % for the municipality. I totally recognize the tensions attributed to wearing two hats at the same time. […] In reality this does not lead to any big problems though. When I am asked during a board meeting how my municipality sees something, I just tell them that I am not sitting here as a representative of that municipality. If you want to talk to me in my role as alderman, you will have to do that at another time and not during a meeting of the supervisory board.’

When I conducted my research at DICK, there was no discussion yet about changing the composition of the supervisory council towards one in which no political appointees would have a role. When asked about this in our interviews, the board’s current members with political backgrounds stated that they were not against changing the board’s composition per se but that such a change should happen in an organic way. They were also adamant that even in such a setting, the municipalities as DICK’s shareholders should have a say in the board’s composition, for example by being allowed to designate independent experts.

7.4 Key findings

In this chapter I answered my empirical research questions for my second case study, DICK. This section summarizes my key findings in this case.

My first empirical research question is *In which ways is the case organization hybrid?* I answered this question by comparing how DICK scored on the ten dimensions of the model described in section 2.7, before and after its transformation into a hybrid organization (see appendix 4 for a summary on how and why I scored DICK the way I did).

In 1974, DICK had been established as a group purchasing organization of nineteen municipalities with the legal form of a local joint venture. As such it purchased capacity at a waste incineration plant on the municipalities’ behalf. In 2001 the organization merged with the sanitation departments of four municipalities. DICK now not only purchased incineration capacity, but also collected waste and provided other sanitation services.

Figure 7.3 shows how the organization scored on the dimensions of my model just after the merger. DICK then was to all intents and purposes an agency. Its managing director had some discretion but his autonomy was limited to the most basic decisions. All others had to be taken by the general and the executive board of the local joint venture. The organization was financed by a lump sum budget and had what several interviewees described as a bureaucratic culture and a very unprofessional workforce. This was due to the fact, I was told that DICK had been used by the municipalities as a
dumping ground for employees they wanted to get rid of at other municipal services. In the past, Dick’s employees could do more or less what they wanted and many saw the organization as their own little playground.

Figure 7.3 Dick as an agency

The diagram in Figure 7.4 shows how Dick scored on my ten dimensions in 2006, when I conducted my research at the organization. It had been put at arm’s length from the municipalities in 2003 and now had the legal form of a municipal corporation. It still provided the same services for the same group of customers but now had to compete with other waste management companies for its contracts. It also did not receive a lump-sum budget anymore but was now only paid if its customers were satisfied with the quality of its work. Dick already had a somewhat entrepreneurial culture. Its managing director had introduced team-based working in order to break the hierarchical structures of the old bureaucratic organization. He now had more managerial and executive autonomy, though the most important decisions still had to be taken in accordance with the organization’s supervisory council and the municipalities as stakeholders.

I used the two charts in my research process to not only illustrate Dick’s transformation into a hybrid organization but also as an indicative-diagnostic tool to point me to those dimensions on which its new hybrid status could be expected to either produce positive or negative effects. I did this to answer my second empirical research question: Which positive and negative effects of hybridity can be observed in the case study and how are they dealt with? In Dick’s case effects of its new hybrid
status were to be expected on the dimensions concerning its legal form and market environment, its culture, its relationship with its public principals and the increased autonomy of its management.

Figure 7.4 Dick as a hybrid organization

**Increased turnover and profits**

Since its autonomization, Dick’s financial position had enhanced considerably. This can be seen as a positive effect of its new hybrid status for the organization. The strategy Dick’s managing director used to sustain this development was to stick to his entrepreneurial course. It is more difficult to say whether the organization’s enhanced financial position also was positive for its shareholders. They received dividends but Dick’s increased turnover from the same customer base could indicate that they now had to pay more for the same services. Dick had no other customers than its municipal shareholders and the dividends it paid out to them every year could be seen as a restitution on an advance that turned out to be higher than the actual cost. Whether this was due to increased efficiency or simply the case because of an overpayment, can not be determined based on the data available to me.

**Unfair competition**

Although Dick was more expensive than its commercial rivals, many (though not all) of its shareholding municipalities still opted to have their waste collected by the organization. Reasons for this included familiarity with the waste management needs.
of municipalities and higher trust. Under European Union legislation, municipalities were allowed not to tender for waste management contracts as long as they awarded them to a public organization they held shares in. Some commercial rivals might see this as unfair competition, but this behaviour did not break any law. Competition was by no means ruled out, as some of DICK’s shareholders had decided to have their waste collected by other companies.

### Increased performance

DICK’s performance had increased since it had become a hybrid organization. This was mainly due to two developments. The first concerned the creation of competition: DICK’s shareholders were no captive customers. This competition kept the organization sharp, as DICK had to work to keep its customers. Secondly, DICK’s service provision was now based on enforceable contracts. The service level agreements in these contracts guaranteed that DICK’s customers would receive value for money as they made it easy for the municipalities to check whether DICK’s service delivery was up to scratch. This also meant that DICK no longer receive a lump-sum budget but had to earn its funding by providing good services. This change in funding created an incentive for the organization to constantly monitor and increase its efficiency and effectiveness. DICK’s main strategy to achieve this, was to professionalize the organization’s workforce and increase its consumer-orientation (see below).

### Increased consumer-orientation

DICK’s managing director introduced team-based working as a way to break with the old hierarchical culture of the organization and made an end to the illegal practices some of the organization’s employees indulged in, which had been tolerated in the past. The underlying motive for all these changes was the belief that DICK could only keep its contracts with the municipalities if the organization’s workforce behaved more professionally and businesslike. But rather than the top-down approach that lead to friction at TOM, he engaged the organization’s employees’ help in formulating DICK’s new goal and strategy, and met with a lot less resistance.

### Strained relationship with shareholders

DICK’s managing director now had more autonomy to run his organization like a business but its municipal shareholders often seemed reluctant to give up power or even seemed unaware that they had already done so. In the case of the discussion about whether DICK should extend its services by incorporating the infrastructure maintenance department of its biggest shareholder (cf. 7.3.3), it became clear to me that most of the municipalities still expected to have as much say in the organization now as they had when it was a local joint venture. When it came to strategic decisions, they still wanted to be engaged from the very beginning. They were not contend to
only give their blessing to a decision already taken by the supervisory board and thereby mistook the reason why DICK had been hybridised in the first place as well as their role in its new governance arrangement. For DICK this situation was frustrating, and tried to remedy the confusion by providing more and more information.