Heads and tails: both sides of the coin: an analysis of hybrid organizations in the Dutch waste management sector
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8. Case study 3: HARRY

8.1 Introduction

My third case study took place at a waste management corporation on one of the island areas of the Netherlands Antilles. I will call this organization HARRY. It collected the waste of 50,000 households and 900 businesses, was active in city cleaning and maintained the island’s sewage system.

In 2007, I was given the opportunity to study HARRY’s hybrid character. I was given access to confidential internal documents and conducted 12 one-on-one interviews with both key people from within the organization as well as its most important external partners. There were unfortunately no meetings scheduled during my stay at HARRY.

I have split my findings in two parts: first I will discuss the history and background of the organization (8.2). I will then describe how and why it transformed into a hybrid organization, which effects this had and how they were dealt with (8.3). Each of these parts focuses in turn on HARRY’s structure and activities, its strategy and culture, and governance and politics. In this chapter’s final section (8.4), I will summarize by listing my key findings.

Before describing HARRY in more detail, I will first try set the scene of this case study by shortly describing the Netherlands Antilles. At the time of my research, this group of islands in the Caribbean Sea was as a political unity divided into five administrative areas, the so-called island areas (‘eilandengebieden’). These could be compared to municipalities on the Dutch mainland, in terms of size, population and administrative structure.77

Every island area was governed by a mayor, called ‘gezaghebber’ in Dutch, who, together with a couple of representatives or aldermen (‘gedeputeerde’), formed its government (‘bestuurscollege’) which could be compared to a college of mayor and aldermen on the Dutch mainland. The island council (‘eilandenraad’), comparable to a Dutch local council, was the island area’s parliament.

Also the political culture on the islands could be compared to that of many Dutch municipalities, though one could argue that its characteristics were more pronounced

77 Since then the Netherlands Antilles as an administrative union have been broken up. The bigger island areas were transformed into individual countries within the Kingdom of the Netherlands. The smaller ones got the legal status as municipalities of the Netherlands.
due to the islands’ isolation. Island areas had a small political in-crowd whose members knew each other well. Political debates often got personal and radicalism was thriving. The boundaries between society and politics, and between politics and the media, were blurred. This lead to a system of patronage and, some claimed, even cronyism (R. in ’t Veld, 2006).

8.2 History and background

8.2.1 Structure and activities

HARRY had been established in 1974 as the island area’s sanitation department. Its main task was to collect household waste and dispose of it on a landfill site. It kept the island’s streets clean, took care of bulky waste and cleaned up fly-tipping sites. HARRY also provided some services for private customers but those were at this point, according to the organization’s marketing manager I interviewed, negligible compared to the activities it conducted on behalf of the island area.

Next to keeping the island clean, HARRY also served another, less outspoken purpose for its political principals, which used it, its HR manager told me, as a tool for providing jobs to those that could not find employment elsewhere, either because they were unskilled or because they suffered from financial, health and social issues.

When I conducted my research, HARRY had 324 employees, according to its business plan. Job mobility was low and about 70 % of the organization’s work force was older than 40. Most were unskilled and 78 % of all employees worked in HARRY’s operations department.

In 2006, HARRY had (according to its annual report) a turnover of ANG 36.4 million (approximately € 14.1 million) and generated a profit of ANG 50,000 (approximately € 19,400). Ten years earlier, when the organization was put at arm’s length, it had had a turnover of ANG 24 million (approximately € 9.3 million) and made a loss of ANG 4.7 million (approximately € 1.8 million). For the first three years after autonomization, the island area still had to cover HARRY’s losses (see Figure 8.1).

Figure 8.1 Financial development HARRY (based on overview in annual report 2005 and annual account 2006, all amounts in million and ANG)

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8.2.2 Strategy and culture

As the island area’s sanitation department, HARRY did not follow a commercial strategy but focussed on providing services for the island area. However, according to its managing director, who had worked at HARRY for twenty years (last as deputy director) and who had been appointed managing director mere weeks before I started my research at the organization, HARRY already had a businesslike culture at that time, as its employees were not afraid to get their hands dirty.

Other interviewees contradicted this description. According to HARRY’s HR manager and two of its operations managers, the organization’s employees lacked discipline. They defied rules, did not stick to their work hours and used company time to run their own little businesses. The managers called this a ‘worry about nothing’ culture and a ‘poko poko’ mentality (after the Antillean expression for taking it easy).

8.2.3 Governance and politics

As the island area’s sanitation department, HARRY depended on the island council for its funding. It was also this council (and not the organization’s director) that set out its main guidelines and directions. This situation prevented the organization from doing its work properly, its managing director told me. HARRY often saw its budget being cut because of financial difficulties of the island area and there was no clear vision for the future, with many decisions being taken on an ad hoc basis. This led to inertia and a lack of investment, which gave HARRY a rather bad reputation among the inhabitants of the island area.

8.3 Hybridity and its effects

8.3.1 Structure and activities

In order to tackle the inertia caused by HARRY’s position within the island area’s bureaucracy, and enhance the organization’s financial position, HARRY’s former managing director started to lobby for its autonomization as a corporation in 1986. He also thought, the organization’s current managing director told me, that this would help HARRY to better serve the waste management needs of businesses and increase its share in the market for the collection of business waste.

It took the organization’s political principals quite a while to warm to this idea, its current managing director told me. This sceptical sentiment also came through when reading the official correspondence concerning the autonomization. There were first of all doubts whether putting HARRY at arm’s length would actually help increase the quality of its services. Not everyone was convinced that a mere change in legal position
and increased managerial and executive autonomy for the organization’s management would automatically lead to more efficiency and effectiveness. There also were fears that granting HARRY more freedom would lead to opportunistic behaviour, as the organization’s strategic focus would shift from serving the community to making a profit.

The correspondence I studied showed that the discussion about whether to autonomize HARRY processed rather chaotically. Several reports on why and how the organization should be put at arm’s length were commissioned, but discarded. A number of management consultants, both from the island as well as from The Netherlands, were involved. Also several government committees were asked to look at the situation, and although they all argued for an autonomization, none managed to follow this decision through.

In 1991, five years after the idea had first been mentioned, a preliminary decision was reached to autonomize HARRY as part of a broader aim to make the island area’s public sector more businesslike. A committee and several outside consultants were asked to finalize this plan and, at last, the island council decided to autonomize HARRY in 1995. It even agreed to cover all potential losses of the newly autonomized organization for up to five years (which, in the end, did not prove to be necessary, as HARRY already reported (modest) profits after three years after being put at arm’s length).

HARRY now had the legal form of a corporation, in which the island area held all the shares. Its main goals were to implement an integrated waste management chain and to execute it in a businesslike manner. By doing so the organization strived, it stated in its mission, to not only remain the local market leader in waste management, but also to participate in the socioeconomic development of the island area. HARRY saw it as its duty to contribute to public health by keeping the island clean, and thereby stimulate tourism, the island area’s most important source of revenues, as well as its other industries.

It was agreed that HARRY would now also maintain the island area’s sewage network on behalf of the island area’s public works department. Besides this one new task it still carried out the same activities for the island area as before being put at arm’s length but the provision of these services was now based on a management agreement (beheersovereenkomst in Dutch). This contract granted HARRY a monopoly on both the collection of household waste as well as the collection of business waste in the island area’s capitol city.

HARRY also started to employ commercial activities. It had already before also collected some business waste but had not done so in a structured and professional manner. Now a new department was created which would be responsible for marketing
the organization’s waste collection services to commercial customers. In 2001 HARRY also started to give advice concerning waste management matters to other island areas of the Netherlands Antilles, as well as other countries in the region. It had for example in 2004 entered into a joint venture to draft the waste policy of Suriname, another former Dutch colony.

HARRY held shares in two subsidiaries: a waste incineration company, disposing of hazardous waste (such as animal cadavers and medical waste) and a construction waste recycling plant (such as debris). Of the first HARRY held 70% of the shares and of the latter half.

HARRY’s autonomization brought on several changes for its employees and for how it executed its tasks. Those employees working in the organization’s offices (the clerks) lost their legal status as civil servants. The organization’s operational staff (the labourers) never were civil servants. Both groups retained their rights and privileges after HARRY was put at arm’s length and also benefited from this move financially, as the management of the newly autonomized organization reinstated bonuses that had been axed previously. That was the main reason why the representatives of the trade unions of both clerks and labourers I interviewed were very pleased with HARRY’s new collective agreement and even regarded it as the best of the region.

The organization and how it conducted its tasks, was modernized in three ‘waves of innovation’ as the business plan for the 2007-2010 period states. During the period right after the autonomization, the organization modernised the ways of how it conducted its services, for example by procuring modern waste containers and lorries. During the second ‘wave’ that lasted until about 2004 the organization’s business processes were streamlined, as this was one of the conditions for acquiring an ISO certification. Since then the organization’s quality management systems are ISO certified, as well as environmental management systems. The third and most recent innovation wave included the implementation of new management techniques, like the introduction of performance management (also see 8.3.2).

When I conducted my research, the managing director who had guided HARRY through the autonomization had just left the organization to assume political office. He was succeeded by the former deputy director, an energetic man of about 40, who had received an MBA from a Dutch university and had worked at HARRY since he got his degree.

HARRY’s new managing director was sure that its hybrid status as an autonomized corporation gave the organization the perfect opportunity to ‘combine the best of both worlds’. By operating in an efficient and businesslike manner HARRY could not only stay the local market leader in waste management. It also helped it to better perform its
Managing such an organization was not for everyone though: ‘You have to have affinity with an organization such as HARRY and her employees and should not see and run it as a normal, commercially oriented company’, the managing director told me. This was in his eyes especially due to the fact that most of HARRY’s employees were low-skilled and socially vulnerable, as the island area had long used the organization as a tool for job creation. HARRY’s managing director tried to encourage all his employees to enhance their skills and asked for their input on the organization’s strategic course. In order to help those with social, health and financial issues, the organization employed an in-house social worker.

HARRY had two different kinds of customers: the island area, for which it provided services based on the conditions laid down in the management agreement and companies, for which it provided services based on individual contracts. At the time of my research, activities for the island area still generated 89.2 % of HARRY’s profits, according to its business plan. But the percentage of profits it made from its commercial activities (collecting business waste and consultancy services) had grown steadily from 1 % to 10.8 % in only ten years.

HARRY’s managing director told me that he was satisfied with this development, as it meant that his organization was less financially depended than before on the notoriously cash-strapped island area. He was less satisfied with the fact that the management agreement with the island area had not been amended since the organization’s autonomization ten years earlier. That meant that the fees HARRY received were still on the same level as they had been in 1996. However, it was not possible to break this agreement open unilaterally and the island area refused to renegotiate.

At least HARRY did not have to collect the fee each of the island area’s households had to pay for having its waste collected itself. The organization received every year an advance on the waste management costs from the island area who had taken it on itself to then collect the fees monthly from every household on the island via its electricity company.

HARRY was the market leader in the market for the collection of business waste. This was due to the fact, the organization’s marketing manager told me, that HARRY had a very high brand awareness, as it also collected household waste. She explained that its biggest rivals were technologically less advanced and hence cheaper companies who often collected the waste with nothing more than cardboard boxes on the back of a pick-up truck.
HARRY staunchly separated the revenues from its commercial activities and those employed for the island area in its bookkeeping. It even used different trucks and crews for the collection of household and business waste to make sure that the costs of these activities could be precisely allocated.

8.3.2 Strategy and culture

Next to modernizing the ways of how it conducted its services, also several measures were taken to, in the words of HARRY’s managing director, ‘professionalize’ its work force after the organization’s autonomization. This was done to make the organization more businesslike and to fight the pokokok mentality of its employees.

The first measure taken in this respect was the introduction of human resource management. According to HARRY’s HR manager, there was no real personnel management before the autonomization. He had used the first years after HARRY had been put at arm’s length to redefine, reclassify and revalue all the positions within the organization and to introduce performance and assessment interviews. The old practice in which every employee automatically received more salary every year irrespective of his or her performance was scrapped and replaced by more attention for proper career planning.

Now, one of the main tasks of the HR manager was to transform the culture of the organization’s employees to one that, he explained, was more professional, commercial and customer-oriented. HARRY’s marketing manager told me that her department was the harbinger of this change as its employees had already learned that they often had to, as she put it, ‘go the extra mile’ to satisfy the customer. One instrument used to stimulate HARRY’s employees to be more efficient and effective was the introduction of profit sharing. Every year that the organization made a profit, its employees received 5 % of the net takings.

A second measure taken to professionalize HARRY’s workforce was the introduction of performance management in 2004 as part of a pilot instigated by a Dutch professor in business administration at several of the island area’s companies. After testing the system at HARRY’s garages, in 2005 all departments had to come up with plans on how they would contribute to reaching the critical success factors defined in the organization’s mission. They also had to come up with performance indicators for measuring their progress. However, introducing performance management at HARRY soon met with difficulties, as many employees failed to keep track of their activities, either because they did not bother or because they had problems reading and writing.

And a third measure, which had just been instigated at the time I visited HARRY in 2007, was the attempt to give its middle managers more responsibility in how to use their resources by giving each of them his own budget.
HARRY’s employees were now expected to work harder than before. Their managers explained this with the fact that its customers had become more demanding, expecting HARRY as a commercial organization to deliver value for money. However, according to the operational managers I interviewed, many of HARRY’s employees had proved not to be able to cope with this increased work pressure and had fallen ill because of it.

Sick leave was a big problem for HARRY, its operational managers complained to me and they were not convinced that the increased work pressure was the only factor to blame. They also suspected ‘fraudulent behaviour’ (as one of them put it) as another reason for the high level of absenteeism and claimed that many allegedly sick employees were in fact staying home without reason so that their colleagues would be paid overtime allowance.

The operational managers told me that HARRY was still plagued by the ‘poko poko’ culture from before the autonomization. According to one operational manager, the reason for this lay mostly in the organization’s soft personnel management:

‘For far too long we have been focused on rewarding our employees for positive behaviour. Bad behaviour is only seldom punished but this is necessary because we are dealing with low-skilled employees who often are not properly motivated. It only ends in chaos, when you let them do whatever they want.’

The ‘poko poko’ mentality was fought by introducing strict controls of work times by using swipe cards. Another control measure HARRY’s operations manager considered was to fit GPS devices on all of HARRY’s vans to be able to check their movements in real time and to control whether their crews were sticking to their routes. Also softer measures were introduced, like communicating the organization’s goals in a more effective way to its employees and attempts to make them more aware of their behaviour and its effects on the organization.

HARRY only generated about a tenth of its revenues by activities for commercial customers, but there was a steady influx of new employees with a commercial background. This led to criticism from some of HARRY’s veteran employees. One of them complained that it was not possible anymore for a blue-collar worker to grow from a job on the work floor into an office function without a proper diploma. New, business-oriented employees were attracted for these functions, making the organization, as this interviewee feared, not only less egalitarian but also top-heavy:

‘By doing this you will only create a group of thinkers rather than doers. These people spend their days sitting in the office, while others have to work outside in the sun. We should not forget that those people are the heart of the organization. It is a problem for the organization, if they do not show up one day. It is less a problem, if the people working in the office do not show up.’
8.3.3 Governance and politics

The island area was still HARRY’s sole shareholder and regulator. It also was its main customer. However, since its autonomization, HARRY put more emphasis on its activities for its commercial customers. This was largely because the management agreement the organization had signed with the island area was not under discussion, which meant that the organization did not have to fear losing it. This also meant that the market segment for the collection of commercial waste was the only one in which the organization could still grow.

The island area’s shares in HARRY were held by a foundation which administered all its shares in public enterprises. This foundation was seen as HARRY’s legal proprietor but had practically ceased to function at the time of my research. HARRY now mostly dealt with the island area’s finance department which was considered the economic proprietor of the organization. This department also represented the island area as HARRY’s main customer but, according to my interviewee from the department, wanted to get rid of this responsibility as its employees lacked the expertise for rating the quality of the services the organization provided. No other department of the island area was willing to take this responsibility on. Even the department for health, whose representative chaired HARRY’s supervisory board, had decided against it.

Over the years, the relationship between HARRY and the financial department as its economic proprietor had been strained by several financial differences. The first concerned HARRY’s distribution of profits. The financial department claimed that any profits HARRY made should be used either for dividends or for lowering the tariffs as any profits were a clear sign that the tariffs were too high in the first place. My interviewee from the island area put it bluntly: ‘if a company that depends on the public purse for 80 to 90% of its revenues is making profits then that simply means that it charges us a far too high price.’ Another argument the financial department used to support its claim on HARRY’s profits was to point out that it had guaranteed to cover all its losses for up to five years when the organization was autonomized. On grounds of reciprocity the financial department now expected to receive a share of its profits, a claim HARRY’s management dismissed as ridiculous.

The financial department was also not happy about the fact that HARRY had two subsidiaries. My interviewee from the island area said about this, ‘We as shareholder have paid for these companies, but have no oversight over them. What is going to happen should either of these companies go bankrupt?’ However, the financial department did not per se condemn HARRY for employing activities for businesses next to those for the island area, but only as long as those would result in lower tariffs.

HARRY’s management was rather critical about the quality of the civil servants it had to deal with at the island area. The manager of the organization’s planning
department told me that HARRY had started to employ a Dutch company to provide management systems assessment and thus to act as an independent auditor, as it lacked adequate checks and balances at the island area. The organization also felt compelled to write its own regulations. When HARRY had been working with an outdated environmental licence for a while, its planning department had drafted a new one itself and presented it to the island area’s environmental department. HARRY had also proactively written a new waste decree. The island area’s civil servants did not particularly appreciate this and felt affronted by HARRY taking matter in its own hands, the manager of the planning department told me.

Politics still played an important part in HARRY’s governance through its supervisory board. This board had, according to the organization’s statute, to consist of at least eight members, representing various interests and groups. Those were an expert in financial and economic affairs, a specialist in technological issues, an expert in health issues, an expert in environmental issues, a representative from an employers’ association, a representative from one of its trade unions and a customer. Chairman of the board was traditionally the island area’s representative for health, which could lead to loyalty conflicts as he was supposed to act in the interest of both the organization as well as in the interest of the island area. My interviewee from the island area’s financial department wondered for example: ‘What is going to happen when the island council proposes to decrease waste tariffs? In his role as deputy of the island area, [the chairman] would have to obey this wish but he might think totally different about it as chairman of the supervisory board.’ Unfortunately I was not able to put this dilemma to the representative himself. He refused my request for an interview because he had been appointed to this position only several weeks previous, and had, in his opinion, not yet been able to sufficiently familiarise himself with the organization.

HARRY’s statute dictated that its supervisory board had to consist of several experts in the fields of finance, technology, health and the environment. However, most of my interviewees (among them even some board members), claimed that in practice most of these so-called experts were appointed because of their political affiliations as every party in the coalition ruling the island area’s administrative board saw it as its right to delegate a certain number of board members in its public enterprises. One of the few independent board members I interviewed complained about this as follows:

‘Our politicians appoint almost everyone as a member of the supervisory board. That should not be possible. You should have at least some knowledge about the company on which board you serve. I do not have anything against political parties appointing board members per se but they should chose someone who knows what he is doing. […] Otherwise you end up with board members who are steered from the outside.’
Another board member added:

‘All board members should meet some sort of profile. If you want to have several fields of expertise represented in the board then you have to accurately define them. Take an example: if you want to have employers represented on the board, you should also state who that should be. Does the proprietor of a snack bar already fit that definition? Or should it rather be a representative of an employers association? You get a far more competent board by paying attention to this. Such a board would stand further away from politics and would focus mostly on the interests of the company.’

None of my interviewees wanted to depoliticise HARRY and its supervisory board as they thought that it was appropriate that politics retained some influence in a public company with public funding. But my interviewees acknowledged that the logics of politics and that of business differed and sometimes clashed. HARRY’s managing director told me for example:

‘It’s always problematic to allow politics into a company. The goals of managers and politicians are fundamentally different. Managers focus on the interest of the company, whereas politicians first and foremost want to be popular. They harm public organizations when they try to use them as vehicles for their popularity.’

HARRY had often been a political plaything in the past. The most prominent case of this at the time of my research, which I could reconstruct by studying the confidential minutes of supervisory board meetings as well as the media coverage of this case, concerned the appointment of its new deputy director. A majority of the supervisory board had appointed a former politician to this post, who was said to have the same political affiliation as the then chairman of the board. This led to a short-lived strike by HARRY’s workforce and legal procedures because several of its employees claimed that they had been denied the right to apply for this position as it had not been formally advertised. The court eventually ruled in their favour and declared the deputy director’s appointment to be unlawful. This affair had political repercussions for HARRY and its management, as the island area’s representative for health had taken it as a cause to order an audit of the organization.

8.4 Key findings

In this chapter I answered my empirical research questions for my third case study, HARRY. 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 HARRY 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 an overview on how and why I scored HARRY the way I did).
HARRY had been established in 1974 as the island area’s sanitation department. It collected waste, disposed of it at its own landfill facility and kept the island’s streets clean. Figure 8.2 shows how the organization scored on the dimensions of my model at this point. HARRY then was to all intents and purposes an agency. Its managing director had some discretion but most decisions had to be taken by the island council as the organization’s political principal. HARRY 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 HARRY, next to keeping the island clean, also served another purpose for its political principals, which used it, its HR manager told me, as a tool for providing jobs to those that could not find employment elsewhere, either because they were unskilled or because they suffered from financial, health and social issues.

The chart in Figure 8.3 shows how HARRY scored on my ten dimensions in 2007, when I conducted my research there. Eleven years earlier, the organization had been autonomized as a public corporation. It still provided sanitation services for the island area but was also active in increasing its share in the market for the collection of business waste. In this market HARRY had to compete with other companies, whereas it had a monopoly with regards to the collection of household waste and to sanitation services in the centre of the island area’s capitol city. HARRY’s main goal in increasing its share in the commercial waste management market was to become less financially
dependent on the notoriously cash-strapped island area. It already generated about 10.8 % of its revenues from activities for commercial customers. HARRY’s status as an autonomized organization meant that its managing director enjoyed considerable levels of managerial and executive autonomy.

Figure 8.3 HARRY as a hybrid organization

I used the two charts in my research process to not only illustrate HARRY’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 HARRY’s case effects of its new hybrid status were especially to be expected on the dimensions concerning its legal form, the relationship with its public principal and the increased autonomy of its management.

Financial independence

Its transformation into a hybrid organization made HARRY immune from the island area’s budget cuts. This gave the organization more financial security to make long-term plans, which increased its stability. Although a stable waste management company of course is in the public interest, this does mean that the island area now had to look at other public institutions when budget cuts were necessary. Isolating HARRY from budget cuts means that other public organizations – including schools and
hospitals which some might argue contribute just as much if not more to the public interest – are hit harder.

Increased performance

Before its autonomization, HARRY had a bad reputation as a run-down public agency with poor service, but it had managed to transform itself into a modern waste management company. This had been achieved by following a rigorous professionalization strategy aimed at making the organization more competitive. HARRY’s employees were now expected to work harder than before. Not all of them were capable of this and sick leave was a big problem.

Increased customer orientation

HARRY’s commercial director hoped the customer focused attitude of the department devoted to its commercial customers would spill over to all its staff. Stricter rules were enforced to deal with those who were using the organization for their own gains, though some managers still found this approach too soft. Another way to increase HARRY’s customer-orientation was to seek new employees with commercial backgrounds. Not all interviewees were happy with this development. Some complained that bringing new employees in would make the organization less egalitarian. I got the impression that HARRY’s managing director was well aware of the potential cultural tensions his organization’s new hybrid status might cause. He told me that he hoped to be able to combine the best of both worlds but knew that managing a hybrid organization was like walking a fine line between too much and too little commercialism.

Commercial customers more important than public ones

HARRY now had two kinds of customers: the island area, which was the organization’s captive customer and commercial companies, which could opt to take their business elsewhere. This created an incentive for HARRY to pay more attention to its private customers. The effects of this were still limited, as commercial customers accounted for only about 10 % of the organization’s revenues.

Pressures on relationship with island area

As a hybrid organization HARRY operated at arm’s length from the island area. I would have expected its public principal to have a system in place to check whether the organization was doing its job properly. But the island area’s financial department, which acted as the organization’s shareholder and customer, missed the necessary expertise. HARRY was frustrated by this lack of oversight. It not only employed a Dutch company to act as independent auditor but also drafted its own legislation. There were discussions between HARRY and the island area about what should be done with the
organization’s profits. The former claimed that they should be used to lower HARRY’s tariffs, whereas the latter wanted to reinvest them. This was not only a conflict about dividends; there were also discussions about how HARRY had actually managed to make a profit. The island area saw this as proof that the tariffs the organization was charging were too high. These tariffs were laid down in the management contract the organization had signed with the island area. HARRY would in fact have welcomed renegotiating this contract (as it thought its tariffs were actually too low) but the island area refused to do that.

Another source of tension between HARRY and the island area concerned the two subsidiaries the organization participated in. According to the island area these were financed with public money but its financial department had no authority to check their books. There were fears about possible financial liabilities should any of the companies go bankrupt.

A last source of pressure on HARRY’s relationship with the island area was the politicized nature of its supervisory board. This board consisted mainly of members appointed by political parties, who put the interests of their constituents (and their own) before those of the organization. It was chaired by a politician, the island area’s representative for health, which put him in a hybrid position in which he had to chose between the organization’s and the island area’s interests. There was no discussion about changing the composition of the supervisory board. My interviewees thought that it was appropriate that politics retained some influence in a public company with public funding.