Heads and tails: both sides of the coin: an analysis of hybrid organizations in the Dutch waste management sector
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Citation for published version (APA):
9. Comparison of findings

9.1 Introduction

In the last three chapters I dealt with my case studies individually. I described how and why they changed from agencies into hybrid organizations by moving on several of the ten dimensions of my analytical model from a public towards a more private orientation. I also described which positive and negative effects their transformation has had, as well as which coping strategies were used to deal with them. By doing so I strived to answer my first and second empirical research questions for every case: (1) *In which ways is the case organization hybrid?* and (2) *Which positive and negative effects of hybridity can be observed in the case study and how are these dealt with?*

In this chapter I compare the observations made in the individual case studies and describe the similarities and differences between TOM, DICK and HARRY’s hybridness. I also compare the positive and negative effects hybridity had in each case and the strategies employed to deal with them. By doing so, I strive to answer my empirical research questions for all three cases collectively.

I tested the validity of my findings by discussing them with representatives of six other public waste management corporations during an expert meeting. I present a summary of this meeting in this chapter and describe how these other organizations dealt with their hybridness.

I end this chapter by comparing my findings with the hypotheses concerning possible positive and negative effects of hybridity brought forward in the literature on this subject and as described in chapter 3 of this dissertation.

9.2 Comparison of case studies’ hybridness

9.2.1 Review: Agencies, enterprises and hybrid organizations

In chapter 2 I described that, in the light of the many interrelations between state and market, the classic dichotomy between public and private has been replaced by a continuum of several dimensions. The ideal-typical public organization (the agency or task organization) and the ideal-typical private organization (the enterprise or market organization) form the poles of this continuum. The agency, on the one hand, is subject to government authority. It produces goods and services to the specifications of a superior body or principal. The behaviour of enterprises, on the other hand, is
determined by economic markets. They are autonomous, produce goods and services to their own design and focus on customer needs and market demands.

Between these two extremes, organizations can be arranged on several dimensions. Based on the several uni- and multidimensional models already available to range organizations, I constructed my own model consisting of ten dimensions, clustered into three groups: (1) structure and activities (legal form, ownership, activities, funding, market environment), (2) strategy and culture (strategic orientation, value orientation) and (3) governance and politics (relationship with political principal, managerial autonomy, executive autonomy).

I visualized this model in the form of a spider chart and used it in my case studies to describe how TOM, DICK and HARRY looked like before they transformed into hybrid organizations as well as to describe on which of the ten dimensions this change occurred (see appendix 4 for an overview of how and why I scored each organization the way I did). In the following sections I will compare these findings. I will first describe the history and background of my three case organizations and second how and why they transformed into hybrid organizations. By doing this, I will answer my first empirical research question collectively for all three cases: In which ways are the organizations hybrid? I will also visually compare how my three case organizations looked before and after becoming hybrid organizations by putting their spider charts next to each other.

9.2.2 History and background

Before they became hybrid organizations, my three case studies were traditional public organizations or agencies, providing waste related services on behalf of a government. In Dahl & Lindblom’s continuum of organizations described in Figure 2.4 they then all inhabited the far left corner. In Bozeman’s publicness grid described in Figure 2.6 the case organizations could at this point be placed in lower right hand corner of the model.

TOM was a municipal enterprise, established to mainly burn the waste of parties that had signed a covenant. Those were mostly municipalities but also included one private waste management company which had its own facilities for storing waste. This gave TOM the opportunity to compensate for fluctuations in the amount of municipal waste. DICK was a group purchasing organization with the legal form of a local joint venture that purchased capacity at an incineration facility on the behalf of several municipalities. HARRY was the sanitation department of one of the island areas of the Netherlands Antilles. Like TOM, HARRY also had some private customers, In both cases these activities were merely a sideline and meant to support the activities the organizations conducted for their public principals.
As agencies, TOM, DICK and HARRY had cultures dominated by values akin to those of Jacobs’ guardian syndrome (see 2.5.3). They were hierarchical and bureaucratic organizations, in which their operational staff played a leading role.

All three organizations provided their services to the specifications of politicians, which were aldermen or the equivalent of this position. They were in turn accountable for how the organizations fared to their respective legislative bodies, which were local councils.

9.2.3 Hybridity and its effects

Structure and activities

All three of my case organizations had directors in charge who were not satisfied with merely implementing the strategy set out for them and their organization by politicians. All three of them rather saw themselves as businessmen than as civil servants and were eager to strengthen their organization’s position in the waste management market. They were frustrated with the fact that the status of TOM, DICK and HARRY as parts of a bureaucracy had led to inertia, making it impossible to react quickly to changing market situations. For example, it took DICK about six months to buy a new waste lorry, mostly because this needed political approval. The inertia meant that all three organizations could not act swiftly on the waste management market, which has become more commercial than before. Of course it is debatable whether acting astutely on market changes was ever meant to be or should be the goal of the organizations, but their directors complained that due to the inertia they were also not able to react to the waste management needs of the citizens in a flexible and agile manner.

In all three cases, the initiative to grant the organization more autonomy and to run it like a business, came from the managing director. In the case of DICK and HARRY this involved putting the organizations at arm’s length. However, the politicians involved were at first reluctant to do so. The proposal to autonomize DICK coincided with municipal elections and was not welcomed with much enthusiasm. Also HARRY’s political principals were critical about letting go of the organization. There were doubts whether putting it at arm’s length would actually help increase the quality of its services, and 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. Both organizations were only autonomized after intense lobbying by their managing directors: DICK was autonomized as a municipal corporation in 2003 and HARRY as a corporation in 1996, ten years after the idea had first been discussed.

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In the case of TOM similar doubts and fears made the alderman responsible for the organization opt against an autonomization, but she still granted its managing director more autonomy. This was achieved in 2001 by labelling the organization a ‘proactive service provider’, a hybrid of a traditional public service provider and a market organization. By doing so, the alderman confirmed the status quo in which TOM’s managing director had more autonomy *de facto* than he had *de jure*.

In both Dahl & Lindblom’s continuum (cf. Figure 2.4) and Bozeman’s publicness grid (cf. Figure 2.6) all three organizations had now moved away from their original positions towards a position more in the centre of the respective models.

In none of the cases did an increase in the autonomy of its managerial directors also lead to a change in ownership of the organization. TOM and DICK were still owned by municipalities and HARRY by the island area. There were no plans at any of the organizations to change this.

Of all three of my case organizations only DICK did not yet provide services for commercial customers, nor did it plan on doing so in the near future. However, this did not mean that the organization did not have to operate in a competitive environment. In contrast to the situation at TOM and HARRY, DICK’s shareholding municipalities were no captive customers. This forced DICK to compete with other waste management companies for their contracts. Several municipalities used independent benchmarks to compare its cost/performance ratio with that of its competitors. On the basis of such a comparison, DICK’s second largest shareholder had already decided not to have its waste collected by the organization but to keep its own sanitation department. However, since under European Union regulations municipalities were not yet required to tender for waste management contracts as long as they awarded them to a public organization they held shares in, they were free to choose DICK even if it did not offer the cheapest service. Several municipalities used independent benchmarks to compare its cost/performance ratio with that of its competitors, rating them on more than cost alone.

So far only HARRY already conducted more activities for commercial customers than before its autonomization. These were now not a sideline anymore but an increasingly important source of income for the organization. HARRY already generated about 10.8% of its revenues by conducting services for other parties than the island area.

In the case of TOM, most of the waste it burnt still originated from municipalities. However, simultaneously with the decision to treat the organization as a ‘proactive service provider’, the municipal council had agreed to nearly double TOM’s incineration capacity by constructing a new, highly innovative plant, which was supposed to burn business waste only. This new plant was nearly finished at the time I did my research at TOM and was scheduled to be fully operational the following year.
was expected that from then on TOM would generate more than 70% of its turnover by burning waste delivered to its plant by commercial waste management companies and by selling the electricity this created on the energy market. Only a quarter of the organization’s turnover would then be generated by incinerating municipal household waste.

With the new plant not only the share of TOM’s financial dependence on commercial waste management companies would increase. So would the pressure of competition, as all Dutch incineration plants were trying to get a big piece of the lucrative market for incinerating business waste. It would also become more dependend on the developments on the commercial waste management market which for one is very cyclical.

Strategy and culture

The strategic outlook of all three organizations had changed. Their managing directors no longer saw their organizations as mere executioners of a strategy devised by politicians, aimed at providing goods and services to their exact specifications. They now had the autonomy to make their own plans, at least within the boundaries of their new, looser governance arrangement (see the section on governance for more on this).

The new strategy they followed was more entrepreneurial, in the sense that the managing directors saw and managed TOM, DICK and HARRY as businesses, with the strategic goal to grow and strengthen their position in the waste management market.

One way of achieving this new strategic orientation was to bring new employees with a commercial background into the organization, with the specific task to professionalize the way it conducted its services, both on the managerial as well as on the operational level. A second way to change TOM, DICK and HARRY into more businesslike organizations was to tackle their organizational cultures, which, according to several interviewees at each organization, were bureaucratic, hierarchical and not businesslike. This included a new focus on values comparable to those of Jacobs’ commercial syndrome (see 2.5.3), such as initiative, enterprise and efficiency and had as an effect that in all three organizations employees were now expected to work harder and longer as well as more efficiently.

Governance and politics

Their hybridness brought a change in governance for all three organizations. TOM remained an agency on paper, but its managing director was granted more managerial and executive autonomy and was allowed to run the organization as a ‘proactive service provider’. However, an alderman was still ultimately responsible for how it conducted its services. TOM’s managing director was, at the time of my research,
lobbying the municipality to take the next step and really autonomize the organization, but he had not yet convinced the alderman of doing so.

Contrary to TOM, DICK and HARRY were autonomized and the changes to their governance arrangements therefore more radical. Their relationship with their public principals, now the organizations’ shareholders, was based on private law rather than public law. Their managing directors also had more managerial and executive autonomy than TOM’s but still no full autonomy, as their decisions were subject to oversight by not only the organization’s shareholders but also their supervisory boards.

Following DICK’s autonomization, the general board of the local joint venture was transformed into the organization’s assembly of shareholders. HARRY only had one shareholder, the island area. Its 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.

Both organizations now also had supervisory boards. DICK’s board consisted of seven members. Four of them were political appointees designated by the organization’s 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, the only female board member, had been nominated by DICK’s works council.

HARRY’s supervisory board was designed to be more diverse than DICK’s. It consisted of eight members, representing various interests and groups. The island area’s representative for health chaired the board. Next to him, it had to consist of 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.

9.2.4 Summary

I used spider charts to visualize how TOM, DICK and HARRY looked before and after they became hybrid organizations. These charts are displayed below.

It is interesting to note that the starting positions of all three organizations were very similar. TOM slightly differed from the other two organizations as it already conducted some activities for private customers. But they all were, for all intents and purposes, ideal-typical public organizations or agencies.

These similarities have gone now. TOM is the only organization whose shape on the chart still resembles the one it had as an agency but its scores and thus its hybridness
have intensified. Both DICK and HARRY have rather pronounced scores concerning their governance. They are more or less private organizations in this respect. They are less hybrid on the other two clusters, although they were in an ongoing process of change which was due to also effect these dimensions.

*Figure 9.1 TOM: agency and hybrid*

*Figure 9.2 DICK: agency and hybrid*

*Figure 9.3 HARRY: agency and hybrid*
Both organizations were working hard on changing their cultures towards a more businesslike orientation. DICK already had to provide its services in competition with others. HARRY had to do the same but in this case the island area’s special circumstances meant that there was no real competition to speak of.

9.3 Comparison of effects of hybridity and of strategies

9.3.1 Review: Positive and negative effects of hybridity

In chapter 3 I presented an anatomy of the Dutch debate on hybrid organizations and the arguments used by the advocates and adversaries of hybridity. I summarized them in Figure 3.6 which is repeated below.

Figure 9.4 Benefits and risks of hybridity

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

I described that the alleged positive and negative effects of hybridity can be arranged as economic, performance related, cultural and governance related positive and negative effects, which often are each others flipsides or opposites. The advocates of hybrid organizations claim on the one hand that hybridity can benefit an organization’s financial and economic position, for example by getting access to new markets. But the critics warn that this positive effect can only be achieved by unfair competition, as hybrid organizations can use public investments to cross-subsidize their commercial activities. On top of which, while public owners can benefit from profits, they are also liable for losses.

A second possible effect of hybridity on an organization concerns its performance. The advocates of hybrid organizations claim on the one hand that hybridity serves as an incentive for their employees to work in a more professional and efficient manner. On the other hand, the critics of hybrids warn that hybridity will lead to a situation in which organizations neglect their statutory, or public, tasks, as their commercial tasks, which often lead to higher earnings, become more alluring.

A third possible effect of hybridity touches on the organization’s culture. Hybridity’s advocates claim on the one hand that combining public and private values
can enhance the quality of an organization’s public service delivery. Its critics warn on the other hand that a combination of values will lead to conflict, as the values of the public and the private domain are incompatible.

A last set of possible effects of hybridity mentioned in the Dutch literature on the subject concerns an organization’s governance. On the one hand, the advocates of hybrid organizations claim that hybridity can professionalize the governance arrangement. The critics warn on the other hand that allowing an organization to become hybrid will only serve as an incentive for opportunistic behaviour, which makes hybrid organizations less dependable partners for politics in the provision of public services.

In my three case studies, I not only described how TOM, DICK and HARRY changed on the ten dimensions of my analytical model but also which positive and negative effects this transformation has caused and how these effects were dealt with. I again used the spider charts drawn for each organization to help me do this. I used them as indicative-diagnostic tools to point me to those dimensions on which the organizations’ new hybrid status could be expected to either produce positive or negative effects.

In the following sections I compare the positive and negative effects of hybridity that I observed in the case studies and the strategies that were employed to deal with them. I also evaluate how successful they were. By doing so, I will try to answer my second empirical research questions collectively for all three case studies: Which positive and negative effects of hybridity can be observed in the case study and how are these dealt with?

9.3.2 Economic effects of case organizations’ hybridness

*Increased turnover and profit*

The managing directors of TOM, DICK and HARRY described higher turnover and profit as a positive economic effect of the new hybrid status of their organizations. Their strategy to continue this positive trend was to stick to their entrepreneurial course and to venture into new markets.

I indeed observed that all three organizations had increased both their turnovers and profits but find it difficult to share the directors’ enthusiasm, as the benefits of this development often seemed to be limited to the organizations themselves. In TOM’s case I was told that the organization used the revenues it generated from burning the waste of commercial customers to subsidize its activities for the partners of the covenant, mostly municipalities. But from the information available to me it was impossible to tell whether TOM’s private activities really contributed to a low public tariff, as the
organization did not differentiate between takings from public and private sources in its annual report.

Also in the case of DICK I find it difficult to verify positive economic effects. Its increased turnover from the same customer base seems rather to indicate that these customers had to pay more every year for the same services. DICK had no other customers than its municipal shareholders and the dividends it paid out to them every year were in reality nothing more than 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.

In HARRY’s case, its hybridity had made it immune from budget cuts by the island area. This gave the organization more financial security to make long-term plans, which in turn increased the organization’s stability. However, it also meant that the government of the island area had to look at other public institutions when budget cuts were necessary, as its choice was now limited. This might lead to a situation in which other (and arguably more important) public services have their budgets cut, such as the island area’s education or health services.

Unfair competition

Another flipside of higher turnovers and profits as positive effects of hybridity, is unfair competition. Private competitors often complain that hybrid organizations can only make a profit on the marketplace because they use public investment to cross-subsidize their commercial activities. These competitors also argue that public organizations gain an competitive advantage due to their close relationships with governments, for example by securing favourable loans, possibilities for cross-subsidisation and the misuse of confidential data.

In my opinion, one could indeed speak of unfair competition in the case of TOM, whose municipality had decided to build it a new, high-yield incineration plant at a time when, according to interviewees at the organization, private companies would shirk away from such an investment. The organization had another financial advantage, as it was assured that it would be reimbursed by the signatories of the covenant for any financial losses it made on the market place. This gave TOM in theory carte blanche to operate less prudently on the market place than its private rivals. In practice the organization had not yet suffered any losses and had not yet needed any public financial subsidies. But the risk of this happening increased as TOM was expanding into the market place. Whether this can be seen as a negative effect of hybridity, depends in my opinion on how reasonable the risks the organization took were and whether they had been properly assessed beforehand, as I find the notion that public organizations
should never be allowed to take any entrepreneurial risks with public money out of touch with reality, as this would bring government to a standstill.

In Dick’s case, European legislation was in the organization’s advantage, as it stated that municipalities did not have to tender for waste collection if they were shareholders of a waste management company. This was advantageous for Dick, as it could have never won a tender based on price only.

Harry did not have much serious competition because of the special circumstances of the island which made entering the market prohibitively expensive for any would-be competitors. Because of this market failure Harry had a near-natural monopoly and there were no complaints of unfair competition. The only competition it had were Mom-and-Pop outfits operating from the back of a pickup truck. These rivals were less technically advanced as Harry but because of this also much cheaper.

Even though one can speak of unfair competition in the cases of Tom and Dick, I am not sure whether this can be seen as an argument against their new hybrid status, as it was not a disadvantage to society at large, but limited to commercial companies. In Tom’s case it could be argued that it was positive that a municipality was willing to invest in a clean and technically advanced incineration plant, while at the mean time provide services at a price lower than any competitor could offer. In Dick’s case one could argue that the organization did not do anything wrong but just used the possibilities it was granted by European legislation.

9.3.3 Performance related effects

Another strategic goal Tom, Dick and Harry’s managing directors strived to achieve with the hybridisation of their organizations was to create incentives to work in a more professional and efficient manner. I was told that neither organization had been terribly efficient as agencies, which according to my interviewees was due to two main reasons. Tom, Dick and Harry had first of all in the past been financed by a lump sum budget. This meant that they had lacked any incentive to save money by working more efficiently. On the contrary, as is common in the public domain with this kind of funding, they had the incentive to use all the money they got, as having any of it left at the end of the year could lead to a less generous budget for the following year.

Another reason for their inefficient behaviour was a lack of competition. The organizations only had captive public customers, who had no choice but to have their waste processed by either Tom, Dick or Harry. That meant that all three organizations had guaranteed sales and had no incentive to excel.

From what I could observe in my three case studies, I am inclined to say that their new hybrid status did indeed positively influence Tom, Dick and Harry’s performance. Their hybridity brought a change in funding. Dick and Harry were now
no longer financed by lump sum, but rather on their output. TOM would also be funded this way for burning commercial waste as soon as its new plant was operational. As they could keep any money saved, this new way of funding stimulated the organizations to increase their efficiency. In practice this meant that the employees of all organizations were now expected to work longer and harder and save money.

As hybrid organizations, TOM, DICK and, to a lesser extent, HARRY also had to be competitive, since they now had to outperform companies which were trying to outperform them. TOM’s main rivals for the incineration of business waste were other public and private waste incineration facilities. DICK had to compete with other waste management companies for contracts with its shareholders and HARRY had to compete with private companies for contracts for the collection of business waste. They were as indicated before less technologically advanced as HARRY but much cheaper.

The strategy their managing directors used to enhance TOM, DICK and HARRY’s competitiveness was to professionalize the way they worked, partly by bringing new employees with commercial backgrounds into their organizations. They also embraced modern management techniques, such as performance management.

Also my case organizations’ positive performance related effects had their flipside, at least for TOM and HARRY. Both organizations now had two kinds of customers: captive, public customers, and private ones that were free to take their business elsewhere. This made it tempting for the organizations to spend more attention on private customers than on the public ones, as the latter were not going anywhere. For example some of TOM’s municipal customers (and I heard similar stories at HARRY) told me that they believed that the organization was taking its commercial customers more seriously and also included them in strategic discussions. TOM was aware of this situation and already tried to react to it by engaging more with its public customers to give them the idea that it valued their views and opinions the same way as it did with its commercial customers.

One might say that the reverse was also true: the organizations complained that their municipal customers had so little knowledge of the waste sector that they were not very interested in the running of the waste organizations, and often saw them as little more than cash-cows; see governance related effects in 9.3.5.

9.3.4 Cultural effects

A third goal the managing directors pursued through TOM, DICK and HARRY’s new hybrid status, was to transform their organizations’ culture from one with the values of the guardian syndrome to one with the values of the commercial syndrome (see 2.5.3). They saw their organizations as hierarchical and bureaucratic and told me staff often misused their position for their own gains. The managing directors wanted to achieve a
situation in which their organizations’ cultures were characterized by more businesslike values such as initiative, enterprise and efficiency and in which all employees were working together on achieving the entrepreneurial goals of the organization.

In my opinion, only the cultural transition programme started by Dick’s managing director had been successful. Even though they were expected to work harder and adhere to more rules and procedures than before, Dick’s operational employees told me that they appreciated 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. This new, entrepreneurial outlook by its staff also positively contributed to the organization’s performance (see the preceding section).

A possible flipside to the positive influence of new businesslike values on a hybrid organization and its staff, are cultural clashes that can arise when one tries to combine traditional public sector and traditional private sector values. I could witness this negative effect in both Tom and Harry.

Tom’s board put considerable time and energy into trying to change its political, bureaucratic and task-focused culture to the more entrepreneurial culture they envisioned. This top-down cultural transformation project encountered the resistance of the organization’s operational staff. Tom’s blue-collar workers interpreted the directors’ claim that the organization had to be more professional and entrepreneurial as a thinly-veiled criticism on their past performance. They saw their autonomy as a source of pride, which was threatened by the introduction of strict rules and procedures. Many told me this changed the organization they had worked for for decades beyond their recognition.

Another source of conflict between Tom’s operational staff and its board was the latter’s decision to bring new employees with commercial backgrounds into the organization. This decision was instigated by the desire to strengthen its sale function and to break the dominance of its technical staff. However, it created jealousy and made the organization’s blue-collar staff fear being marginalized.

The board of directors’ strategy to cope with these tensions was to try to better explain why they thought Tom needed to change. However, they did not fundamentally alter their top-down cultural transition process, pointing out the shortcomings of the old culture. In the eyes of the organization’s staff, this old culture had worked rather well in the past. Because of this, the stand-off between the organization’s board and its operational staff persisted.
Also at HARRY there were tensions between its management and some of its operational staff. I heard complaints about new employees with a commercial background being sought for positions in the organization’s offices. In the past it had been possible for HARRY’s operational staff to grow from a job on the work floor into an office function even without a proper diploma. This was now not possible any more, as HARRY’s managing director was busy professionalizing the organization and its workforce. This led to complaints amongst the operational staff about HARRY becoming less egalitarian and top-heavy, whereas the managers still deemed the organization too soft.

9.3.5 Governance related effects

A last reason why the managing directors of TOM, DICK and HARRY had lobbied their public principals to allow them to run their organizations like businesses, was that they expected positive governance related effects. They complained that as agencies, their organizations had suffered from inertia, as their governance arrangements did not facilitate the kind of quick decision making they thought they needed in the market place.

So far, only the governance arrangements of DICK and HARRY had been changed. TOM had been labelled a ‘proactive service provider’ in 2001, but this was more a semantic change and had no legal repercussions. The organization’s managing director had more autonomy now but lobbied for a full autonomization as he claimed there was no system of professional checks and balances at the municipality. He put especially high hopes in the supervisory board his organization would get after being put at arm’s length, as he complained that the civil servants at the municipality who now regulated the organization lacked the necessary expertise and knowledge.

Dick and HARRY had already been autonomized. Their public principals, municipalities in DICK’s case and an island area in HARRY’s case, were now the organizations’ shareholders. I was told that in the past both DICK’s municipalities as well as HARRY’s island area had not really been interested in how the organizations conducted their services, which often meant crucial decisions took a very long time. Their new hybrid status had not changed this. At DICK, aldermen often chose not to attend the annual shareholders’ meetings, which as a result often lacked a sufficient quorum to take decisions. At HARRY, the foundation tasked with acting as the organization’s shareholder had all but ceased to function.

I therefore have to conclude that DICK and HARRY’s new hybrid status had only a limited positive effect on their relationships with their shareholders. In my opinion, the blame for this situation has to be laid at the doorstep of both organizations’ shareholders who failed to take their roles seriously. In DICK’s case, there even was
some confusion at one of the annual meetings, as some shareholders still tried to influence the organization the same way they might have done before its autonomization, not realizing their roles had changed.

Dick tried to deal with this situation by providing its shareholders with more information to facilitate their decision making processes and to make them more involved in how the organizations worked, but so far without much success. This was a pity, as committed shareholders could be an efficient remedy against the opportunistic behaviour that is often cited as a possible negative governance related effect of hybridity. That said, instead of taking advantage of this lack of control, all three of my cases organizations were very frustrated that their shareholders did not take an active interest.

A second change to Dick and Harry’s governance arrangement was the establishment of a supervisory board. The boards of both organizations had a number of politically appointed members. Dick’s managing director told me that the supervisory board provided him with a better system of checks and balances than he had before. Harry’s managing director told me that the positive effect of having a supervisor board was that politics could still be involved in the organization’s decision making, even now that it was put at arm’s length.

The hybrid composition of Dick and Harry’s supervisory boards, which Harry’s managing director cited as one of its strengths and which also the politically appointed members of Dick’s board saw as its advantage, in my opinion rather led to an undesirable situation. Loyalty issues could arise for the politicians who were board members, in choosing between conflicting interests of the organization and their constituents. According to the board members I interviewed, this problem had not yet arisen at Dick, but they were aware of its potential. In contrast, some of Harry’s board members had decided not to take the interests of the organization into account at all in the affaire concerning the appointment of its new deputy director, but to use Harry as a vehicle for nepotism.

I see the (potential) problems with the hybrid composition of Dick and Harry’s supervisory boards not so much as a problem due to their hybridity but because of the conflicting roles of political appointees. A hybrid organization with a hybrid supervisory board may be too much.

9.4 Discussion of findings

I undertook two steps to test the validity of my findings. I first presented a draft version of my case study reports to the organizations’ managing directors and asked them to alert me on any factual errors and omissions. As Tom was going through rather
rough times, with tensions between its management and operational staff and veteran employees leaving the organization, its director found it difficult to face my findings. The discussions with Dick and Harry were conducted in a friendlier atmosphere.

I then organized an expert meeting to discuss my (anonymized) findings with the directors of other hybrid waste management companies. This was done to establish whether my observations were more generally applicable in the waste management sector. The directors of seven waste management companies attended this meeting. Two of them ran waste incineration companies and another one a company active in the whole waste management chain. Also the directors of three waste collection companies attended the expert meeting. The (now former) director of Dick was present too.

All of the organizations represented at the expert meeting were still owned by local governments. In one of them, a private waste management company held a minority of shares. All organizations conducted activities for private customers next to those for their public principals. Only one was still a municipal service and another one a local joint venture; all other organizations had been put at arm’s length.

It was a conscious decision not to invite a representative of a private waste management company to attend this meeting as I feared the presence of a commercial rival would create an atmosphere in which the directors of the hybrid waste management companies would not feel safe enough to discuss the synergies and pitfalls of hybridity. I got the impression that the expert meeting worked because all those present felt comfortable and also enjoyed discussing a very relevant topic without having to worry that anything they said might later be used against them in the heat of the market place or (even worse) the courtroom (eg, one of the organizations represented at the expert meeting had just been challenged in court by a private competitor).

We first discussed what a hybrid organization was and whether the directors felt their own organizations fitted that category. They told me that an organization’s legal form was of little consequence for its hybrid character. According to the directors, an organization was hybrid if it had both public and private customers. They were aware of the negative image hybrid organizations have in the Netherlands and found it a pity that the discussions about hybridity often lacked nuances.

All seven directors saw themselves as entrepreneurs. ‘If politicians did not want us to run our organizations like businesses, they should have kept them as municipal

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78 He had resigned after a conflict with the organization’s supervisory board over tensions that had arisen between the director and one of Dick’s managers.
services’, one of them summed up the group sentiment. At the same time, they were well aware of their special role as directors of hybrid organizations: ‘You have to an affection for the public interest to run such an organization. You have to have an affinity for it to be able to make the right choices.’ This meant that all the organizations did, had to be based on a solid strategy and vision. It often was a challenge, the directors conceded, to combine their organizations’ own interests with those of their public principals. However, they all agreed that they enjoyed their work.

We then discussed the effects of hybridity I had found at my three case studies. I asked the directors whether my observations painted an adequate picture of the waste management sector in general and whether these effects could be observed in their own organizations.

9.4.1 Economic effects

The directors were adamant that hybridity had economic benefits, as operating in the market place could lead to lower waste management costs for citizens. They also acknowledged that there were risks involved which had to be properly addressed. This was one of the demands politics put on them, though politicians were often inconsistent in this. One director said:

‘Politicians rather focus on risks than opportunities. They prefer predictability and are risk-averse but do not follow this through. When they see extreme opportunities, politicians are suddenly willing to run extreme risks.’

One director stated that it can make economic sense for an organization to offer overcapacity below cost price as long as the marginal costs are covered. But it is difficult to explain to the public customers that the private customers are paying less. He was happy that he no longer had to deal with these sorts of issues, as his organization now only served public customers.

9.4.2 Performance related effects

The directors at the expert meeting stated that hybridity had positive effects on performance. Those who ran organizations that had been put at arm’s length were now responsible for their organizations’ continuity. This served as an incentive to adopt a long-term perspective and also tackle persistent problems like high levels of absenteeism.

They also stated that hybridity had another positive effect on performance, as the introduction of competition increased the quality of the provision of services for their public customers. The organizations’ employees now had to achieve a number of preset results. According to the directors, this led to a number of changes on the middle management level. One of them said:
‘In the job profiles we used to state meticulously what the middle managers had to do. Now we only state what they are responsible for. There now is a focus on results, which came as a shock to those managers who were not used to such an approach. This is why all our former middle managers have now left the organization.’

9.4.3 Cultural effects

The directors recognized my observation that hybridity can mean that an organization’s employees have to work harder, follow more rules and procedures and see their autonomy be limited. One of them was critical about using hybridity as a means to make the culture of an organization more entrepreneurial and less bureaucratic. He said:

‘Autonomisation is used to attempt to solve a problem which is in fact due to poor management. Also in public organizations there ought to be good management. Hybridisation is used in the hope that this will make the organization more professional. There is a dogma that states that the market is better in doing this sort of thing. But you have to solve management problems rather than try to organize them away through hybridity.’

9.4.4 Governance related effects

Politicians often complain about not being properly informed of how hybrid organizations conduct their business. The directors at the expert meeting recognized this observation but put the blame right back on the politicians’ doorstep. One said:

‘Whether politicians think that there is a problem and what they perceive it to be depends on the background of the aldermen involved. There are big differences in quality. A smart municipality has an alderman whose task it is to deal with its shares in companies. As an organization, you have to be lucky with your aldermen, as many are not very capable.’

The directors also criticized the civil servants they encountered. One of them said:

‘They are against putting an organization at arm’s length as a matter of principle. After all, it makes them lose influence and causes jealousy.’

All the directors at the expert meeting put high trust in their supervisory boards and were happy to have them. Most of them stated that these boards should not contain any political appointees. One director for example said:

‘You have to demand that the members of your supervisory board are fully independent, that is your right as a director. If it is decided that a governance arrangement should consist of three parties than those should be three separate ones.’

Another director could see a benefit in having politicians in his organization’s supervisory board:

‘We used to have a supervisory board which only consisted of aldermen and then switched to one with independent members only. We reversed this decision and now our shareholders
again have the right to appoint the board members. This creates a link with the shareholders.
Some opt to appoint an alderman as member of the board. Only the chairman is independent.

9.5 Summary

In this chapter I compared the observations made in the individual case studies and
described the similarities and differences concerning TOM, DICK and HARRY’s
hybridness. I also compared the positive and negative effects hybridity had in each case
and the strategies employed to deal with them. By doing so, I strived to answer my
three empirical research questions for all three cases collectively. I tested the validity
of my findings by discussing them with a panel of experts from the waste management
sector.

The following and last chapter contains an overview of my conclusions and
recommendations.