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

Introduction: The Netherlands as a hybrid society

Different types of hybrid organizations

I began my research by indicating that there are several possible types of hybrid organizations, depending on which corner of the societal triangle devised by, among others, Van de Donk (2001) they originate. In what I refer to as the hybrid realm and Billis (2010) describes as nine hybrid zones, organizations can be found that originate from either the state, the market or the community and which can be defined as ‘hetero-geneous arrangements, characterized by mixtures of pure and incongruous origins, (ideal)types, “cultures”, “coordination mechanisms”, “rationalities”, or “action logics”.’ (Brandsen et al., 2005, p. 750)

Examples of hybrid organizations originating from the community are the environmental movement, trade unions, grassroots organizations in communities and local mutual forms of insurance. The Dutch East India Company, a chartered company with its own army and territorial sovereignty, is an example of a hybrid organization originating from the market place. And quangos, or quasi-autonomous non-governmental organizations, such as contract agencies, public bodies, voluntary of charitable organizations that receive public funding and state-owned enterprises, are examples of hybrid organizations originating from the state. The last is the type of hybrid organizations I examined in my doctoral thesis.

Transitions in Dutch public service provision

When I looked into the history of public service provision in The Netherlands, I came to the conclusion that the border between the realm of the state and the market place was never strict and impenetrable, but always rather fuzzy, porous as well as shifting over time, adjusting to societal and political preferences, necessities but also fads and fashions. The country therefore has a long and rich tradition of producing and using hybrid organizations in the delivery of public goods. Many of them were established in the middle of the 19th century at the initiative of socially concerned citizens, religious or ideological groups or entrepreneurs and later nationalised (Brandsen et al., 2006a; Delden & Veraart, 2001; R. in ’t Veld, 2005; Veenendaal, 2004). By the 1980s, the Netherlands not only had one of the biggest public sectors in Western Europe but also a high rate of unemployment and a gigantic national debt. To tackle this crisis, state-owned companies were privatized. But the impact of this
operation was rather limited, as direct state intervention in industry was limited compared to other European countries (Parris et al., 1987).

During the 1990s attempts were made to improve the service provision of public sector organizations by introducing private sector management techniques and by autonomizing agencies providing public services (Barzelay, 2001; Hood, 1991; Lane, 2000; Van Thiel, 2000; Walsh, 1995). In The Netherlands this New Public Management (Osborne & Gaebler, 1992) was not inspired by ideas to hollow out the state but rather by the belief that modern management techniques would make public sector organizations more flexible and perform better. The managerialism in public services had some positive effects but was also criticized as not being in tune with the special characteristics of the public sector. Governance, the new main driving force for Dutch public sector reform since the turn of the millennium, tries to address this criticism (Pierre & Peters, 2000; Rhodes, 1997). It is based on the belief that the wicked problems our network society faces can not be tackled by only one agency but rather ask for a multi-stakeholder approach in which not only government but also other actors, such as businesses, participate (Löffler, 2003). In this philosophy hybrid organizations have an important function as boundary spanners.

A black and white and typically Dutch debate

In this dissertation I mainly focus on hybrid organizations in The Netherlands and the Dutch discussion on hybridity. However, this does not imply that it is an exclusively Dutch topic. All over the world various forms of hybrid organizations are discussed from several theoretical and practical perspectives. But also on the international level, there so far is no systematic body of research on hybrid organizations.

In the United States, research on hybrid organizations is for example conducted by Koppell (2003) who examined FannyMae and FreddyMac, two organizations now linked to the credit crunch. In Germany, mixing public and private is seen as a means to create a strong and robust civil society (referred to as Bürgergesellschaft or Zivilgesellschaft) (cf. Evers et al., 2002; Meyer & Weil, 2002). International organizations interested in the effects of hybridity include the OECD, which not only discussed its effects on competition law and policy (OECD, 2004) but has also developed guidelines on corporate governance of state-owned enterprises (OECD, 2005). And hybrid organizations are also mentioned in the organizational studies’ literature that deals with the differences between ideal-typical public and private organizations (see for example Emmert & Crow, 1988; Perry & Rainey, 1988; Rainey, 1997; Rainey & Chun, 2007), as well as in the literature about partnerships and alliances between different organizations (see for an overview of this literature Skelcher, 2005).
While there is international interest in hybridity, there is one characteristic that
distinguishes the Dutch debate from that in other countries. Whereas mixing public and
private is seen by many international commentators as a means to create a new form of
society or a new, more social kind of entrepreneurialism and to relieve the tax burden,
most Dutch commentators view hybridity as some sort of pollution which leads to
impure organizations that do not resemble ideal-typical ideas of what public and
private organizations should look like.

To a relative outsider this is in some ways difficult to comprehend, given the long
tradition and, arguably, success story of hybrid organizations in the Netherlands. But it
also means that the Dutch debate is an ideal starting point for an analysis of what
actually happens when a hybrid organization mixes public and private.

**Research questions and outline**

The following general research question is addressed in this dissertation: *How do
hybrid organizations function in practice and what are the effects of their hybridity?*
This general research question can be divided into five specific research questions, two
of an analytical and three of a more empirical nature.

The first analytical research question aims at providing a more nuanced definition
of hybridity and therefore is: *On which dimensions can an organization be hybrid?* The
second analytical research question is: *What could be positive and negative effects of
hybridity?* It aims at providing an overview of the various hypotheses mentioned in the
literature already available on hybrid organizations about what the positive and
negative effects of hybridity could be.

My three empirical research questions aim at describing hybridity and its effects in
organizational practice. My first empirical research question is: *In which ways is the
case organization hybrid?* My second empirical research question aims at describing
the effects their hybrid status had on my three case organizations. It is: *Which positive
and negative effects of hybridity can be observed in the case study and how are these
dealt with?* My third, and final, empirical research question is: *What do the findings of
this study say about the overall viability of hybrid organizations?*

My dissertation consists of ten chapters. After the introductory first chapter, chapter
2 describes the dichotomy between public and private and the differences between
agencies and enterprises as ideal-typical public and private organizations. It also
contains an overview of the various organizational dimensions on which organizations
can be classified as being public, private and hybrid.

Chapter 3 describes the hypotheses brought forward in the Dutch debate on hybrid
organization concerning the positive and negative effects of hybridity. In chapter 4
I outline my research strategy and specify my empirical research questions, based on
the answers of my two analytical research questions. Chapter 5 contains a description of the Dutch waste management sector and the public, private and hybrid organizations that operate in it. Its aim is to set the scene for my three case studies from this sector. Chapters 6 through 8 contain my individual case studies and chapter 9 a comparison of the three cases. And finally chapter 10 consists of my conclusions as well as recommendations and ends with ideas for further research.

Defining hybrid organizations – Dimensions of hybridity

Public versus private as a normative dichotomy

The distinction between public and private is one of the most important dichotomies of Western political thought (Bobbio, 1989) and has been so since antiquity. It divides our world into two exhaustive and mutually exclusive spheres, subsumes all other distinctions and makes them secondary (Weintraub & Kumar, 1997).

Since it has been at the core of our understanding of the world around us for such a long time already, the grand dichotomy seems to be straightforward. But it is not unitary but protean. Different definitions of public and private are possible (Geuss, 2001). As it determines what is perceived to be acceptable in which context and what is not, the public-private dichotomy has a very normative character.

In the Dutch discussion about hybrid organizations the dichotomy between public and private is most commonly defined as the one between state and market. This is therefore also the definition employed in this dissertation.

Patterns of government-market interrelations

The normative character of the dichotomy of public versus private means that we should handle it with care (Geuss, 2001). As it juxtaposes two ideal-types, the dichotomy remains useful for normative discussions, but seems less relevant as a descriptive tool, as there are now (and always have been) complex relations and interplay between government and market (Dahl & Lindblom, 1953; Rainey, 1997; Rainey & Chun, 2007).

Examples are (1) the emergence of several hybrid forms of organization, such as the quangos described in this dissertation, (2) the complex interrelations between government and business organizations through contracting out and other forms of partnerships (cf. Skelcher, 2005) and (3) the various functional analogies that exist between public and private organizations, as many specialists perform the same general functions regardless of the kind of sector their organizations operate in.

In the light of these examples of interrelations between state and market, the distinction between public and private is (at least in most of academia if not by the
general public) commonly seen as not a dichotomy but as a continuum of several dimensions.

**Ideal-typical public and private organizations**

A first step in the construction of this continuum is to define its poles. I do this by describing Dahl & Lindblom’s agency and enterprise and Simon’s task and market organization as ideal-typical public and private organizations.

Dahl and Lindblom (1953) make a distinction between agencies as ideal-typical governmental organizations on the one hand and enterprises, or ideal-typical business firms, on the other (cf. Rainey, 1997, pp. 61-3; Rainey & Chun, 2007, pp. 75-6). Agencies are subject to polyarchy (or governmental authority) which is based on centralized rules and authoritative directions as the broad mode for organizing economic and social activity. Economic markets are the alternative of polyarchy, and the mode of social control determining the actions of enterprises, which grant individuals a larger degree of choice about their transactions and relations.

This distinction between agencies and enterprises resembles that between task and market organizations, which Simon, an influential voice in the Dutch debate about hybridity (cf. chapter 3), developed in his dissertation (Simon, 1989). Task organizations, on the one hand, are ideal-typical governmental organizations which are heteronomous, as they are controlled by a superior body through authoritative directions. They have what Simon calls a capacity function, as they produce goods and services to the specifications of the principal. Market organizations on the other hand are ideal-typical business firms. They are autonomous, as they lack a clear principal, and have what Simon calls a product function, as they produce goods and services to their own design.

**Differences between public and private organizations**

Many authors have refined the distinctions between ideal-typical public and private organizations made by, among others, Dahl and Lindblom as well as Simon, by contrasting agencies and enterprises with one another. Rainey & Chun (2007) have drawn up a list of distinguishing characteristics of agencies as compared to enterprises by summarizing the literature already written on this subject.

According to Rainey and Chun, agencies differ from enterprises with regard to their environment, their organization-environment transactions and their organizational roles, structures and processes.

The first set of possible differences concerns the setting or environment agencies operate in. They lack economic markets for their outputs and rely on governmental appropriations for their financial resources. Compared to enterprises, agencies operate
under greater external control by politically constituted authority and have to deal to a
greater extent with the presence of elaborate and intensive formal legal constraints as a
result of oversight by various branches of government as well as courts. A final
distinctive environmental factor distinguishing ideal-typical task from ideal-typical
market organizations, concerns the presence of more intensive external political
influences in the public sector. Agencies not only have to deal with greater political
influences on their decisions, they also are in greater need to acquire political support
for their actions from various other stakeholders, such as client groups and
constituencies.

A second set of differences between ideal-typical task and market organizations
refers to the nature of their interactions with their environment. Agencies often produce
public goods, which means that their outputs are not readily transferable to economic
markets at a market price. Their activities are also often coercive, monopolistic and
unavoidable, given the unique sanctioning and coercive power of government as the
sole provider. They also often have a broader impact and greater symbolic significance
than the activities of ideal-typical enterprises, which leads to greater public scrutiny of
public managers and unique expectations concerning good governance, based on ideal-
typical public values such as fairness, responsiveness, honesty, openness, and
accountability.

A final set of differences between ideal-typical agencies and enterprises relates to
roles, structures and processes. Ideal-typical public organizations have to deal with
greater ambiguity, multiplicity and conflict than their private counterparts. Ideal-typical
public managers for a start have to play more political, expository roles than private
managers, which results in a greater challenge to balance external political relations
with internal management functions. They also have less decision making authority as
most important decisions about their organizations are made by politics. Ideal-typical
agencies are said to have more red tape and more elaborate bureaucratic structures than
agencies and are also said to be driven by different sets of organizational values.

It is worth elaborating on this, as the alleged differences in culture between the
public and the private sector and the tensions expected from mixing them, were a
central topic in the Dutch debate about hybrid organizations, especially based on

Jacobs distinguishes between two different ‘ethical systems’ or ‘moral syndromes’, a
commercial and a guardian one (Jacobs, 1992, pp. 23–4). Both are driven by different
sets of values. In the ethical system of the guardian, trading and other commercial
activities are shunned. It is a culture which thrives on tradition, obedience, discipline,
hierarchy and loyalty and in which expert knowledge gives power. The guardian
syndrome also has its dark side. Vengeance and deception are permitted, as long as
they are in the sake of the task at hand or, to put it differently, in the public interest. Other values, which are not necessarily virtues but are core to the guardian syndrome, are the rich use of leisure (or laziness, if one wants to be cruel), ostentation, exclusivity and fatalism. Honour, largesse and fortitude also are important.

In the commercial moral syndrome the use of force is shunned. This culture is all about cooperation, honesty and the abiding of contracts, as well as about competition, initiative and enterprise, innovation and efficiency. Comfort and convenience are important too, as are industry, thrift and optimism. It is alright to disagree as long as that serves the task at hand. Financial investments are aimed at increasing productivity.

*Dimensions of hybridity*

Having defined the extremes of the public-private continuum as the agency and the enterprise, I turned to models that arrange the different forms of organization in between these two poles. Some of these models only use one dimension to range organizations, while others are multidimensional.

I constructed the multidimensional continuum used in this study to describe the hybrid character of my case organizations by synthesizing some of those already available (Bozeman, 1987; Dahl & Lindblom, 1953; Fottler, 1981; Perry & Rainey, 1988; Van Thiel, 2000; Wamsley & Zald, 1973).

My version of the continuum between the agency and the enterprise (which is also based on Algemene Rekenkamer, 2005) consists of ten dimensions that I clustered for clarity’s sake into the following three groups: (1) structure and activities, (2) values and strategy and (3) governance and politics.

The dimensions in the cluster structure and activities tell us more about the principal as well as about the activities of the organization. They are:

- Legal form: this dimension deals with the degree to which an organization’s legal form is governed by public or by private law.
- Ownership: this is the continuum between full governmental and full private ownership.
- Activities: this is the continuum between a complete focus on statutory or public tasks and one on private, commercial activities.
- Funding: this is the continuum between 100% governmental appropriation and 100% private funding.
- Market environment: this is the continuum between a monopolistic and a competitive market environment.

The dimensions in the cluster strategy and culture deal with questions concerning the organization’s overall strategic outlook and its value system. They are:
- Strategic orientation: the continuum between a strategic orientation totally aimed at government and one totally aimed at the market.

- Value orientation: the continuum between a total orientation on the public values of the guardian syndrome and a total orientation on the values of the commercial syndrome.

The dimensions summarised in the cluster governance and politics deal with the question of how the organization’s relationship with its public principal(s) looks like and to which degree it possesses autonomy, both managerial as well as executive. They are:

- Relationship with political principal: the continuum between a relationship based on public and one on private law.

- Managerial autonomy: the continuum between political autonomy (a system in which the management of an organization is influenced by politics) and economic autonomy (a system in which the management of an organization is influenced by the market).

- Executive autonomy: on this dimension I score whether an organization has little or much autonomy in how it conducts its activities or to use Simon’s taxonomy, whether it rather has a capacity function or a product function.

In my case studies, I described how my three case organizations could be scored on the ten dimensions at the time I studied them. I used a spider chart to illustrate each organization’s hybridness by using the following scores: completely public (0), mostly public (2), somewhat public (4), halfway between public & private (5), somewhat private (6), mostly private (8) and completely private (10).

A hypothetical organization, represented as only a dot at the centre of the chart, would be 100 % public on all of the dimensions listed above. As the surface area grows, the organization becomes more private to the maximum of covering the full chart, which represents an organization that scores 100 % private on all dimensions: the ideal-typical enterprise.

In my case studies, I not only used the spider charts as a descriptive but also as an indicative-diagnostic tool to point me to those dimensions on which an organization’s new hybrid status could be expected to be either beneficial or hazardous.

**The effects of hybridity – An anatomy of the Dutch debate**

*Three states in the scientific debate on hybridity*

The Dutch debate on hybrid organizations can roughly be divided into three stages (Brandsen & Karré, 2010). During the first period, which about covers the 1990s,
several public agencies were autonomized and managerialism was introduced in public service provision. Topics for discussion during this era were how to manage and regulate these new autonomized organizations. Most commentators saw hybridity as a nuisance as it made it more complicated for government to exert control on organizations that operated at arm’s length. Hybridity was, in other words, seen by many as a dangerous force undermining the primacy of politics.

During the second period, which spanned the first decade of the 21st century, hybrid organizations had become a fait accompli. Besides being vilified by some, they now were embraced by others, especially as the governance trend set in. Organizations in the Third Sector were rediscovered as agents in the provision of public services. In much of the literature dealing with hybridity from this angle, a certain nostalgia can be read for the times when not government but the Third Sector was in charge of providing many essential public services.

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

In this debate two main arguments can be distinguished that oppose each other. I call them the synergy and the corruption argument.

The synergy argument

Advocates of hybridity see hybrid organizations as effective boundary spanners that, by bringing public and private together, create synergy and innovation, which leads to economic, performance related, cultural and governance related benefits (Brandsen et al., 2006b; Brandsen et al., 2005; Brandsen et al., 2005; Frissen, 2005; Meijerink, 2005; Van Montfort, 2008; Mouwen & Van Bijsterveld, 2000; Sociaal-Economische Raad, 2005, 2010; R. in ’t Veld, 1995, 1997a, 1997b, 2003, 2005; Wetenschappelijke Raad voor het Regeringsbeleid, 2004a).

- Economic benefits: Hybridity can benefit an organization’s financial and economic position by for example getting access to new markets.
- Performance related benefits: Hybridity can also have a positive effect on an organization’s performance, as it can serve as an incentive to increase effectivity.
- Cultural benefits: Hybridity is by its advocates seen as an incentive to combine the best of both worlds by bringing the most prominent values of the public and the private sector together. This, they expect, will help make public sector organizations more customer-orientated.
- Governance related benefits Hybridity is by its advocates seen to have a positive effect on an organization’s relationship with its political principals and, via these representatives, also with society as a whole.

The corruption argument

Adversaries of hybrid organizations see introducing market elements into the provision of public services as a form of corruption and warn that public interests will not be able to hold their ground opposite commercial interests (Ankersmit & Klinkers, 2008; Gradus, 2005; De Jong, 1998; MDW-werkgroep markt en overheid, 1997; Simon, 1989, 2005, 2008; Stevens, 1997, 1998). Hybridity leads in the critics’ view to economic, performance related, cultural and governance related risks.

- Economic risks: These concern various forms of unfair competition, such as the use of cross-subsidies, the use of confidential government data for commercial means, the forming of public monopolies and the combination of conflicting roles.

- Performance related risks: Because of hybridity, the critics claim, organizations will neglect their public tasks in favour of their commercial activities.

- Cultural risks: hybridity can lead to cultural conflicts as private sector values are introduced which are commonly seen to be stronger than public sector values as they are based on individual self-interests rather than on altruism. Conflicts can arise when an organization attracts new employees with a commercial background who (because of their expertise) earn more than its veteran staff.

- Governance related risks: Putting an organization at arm’s length and allowing it to enter the market place, the critics claim, will lead to it developing an own identity and opportunistic behaviour. As hybrid organizations mostly focus on their own interests, they become less dependable partners for their political principals in the provision of public services.

An evaluation of both approaches

The Dutch discussion on hybridity is peculiar on two counts. First, for most of its course it was rather normative, as those believing in the benefits of hybridity were at loggerheads with those that warned about its risks. Most arguments used both by advocates and adversaries of hybrid organizations are based mainly on anecdotal evidence and only for a limited part on scientifically collected and analysed empirical data. Most of the discussion so far has centred about the question What do we have to think about public organizations entering the market place? instead of on the more fundamental question of What is actually happening when agencies start employing commercial activities?
A second, quite intriguing peculiarity of the Dutch discussion is that opponents as well as advocates of hybrid organization adopt a rather one-sided view. In their eyes, hybridity will *either* have positive *or* negative effects, whereas I find they are often two sides of the same coin. Each effect can be interpreted both as beneficial and as hazardous depending on the author’s standpoint. The old adage, where one stands depends on where one sits, also rings true here. Hybridity truly is a heads *and* tails issue.

**Research strategy**

*Literature overview and pilot study*

My first step after deciding in 2002 that I wanted to research hybrid organizations, was to conduct a literature review. The Dutch literature I found at this point proved useful in understanding what the possible positive and negative effects of hybridity might be, but lacked a firm conceptualisation of a hybrid organization. Concerning the international literature I unearthed, I found much of the organizational sciences literature and among this field especially those works dealing with the differences between ideal-typical public and private organizations very useful for my own understanding of the dimensions on which an organization could be a hybrid.

My literature overview gave me a first idea of what a hybrid organization might look like and which positive and negative effects hybridity can produce. But it also made me draw the conclusion that despite all the debate of the 1990s and afterwards our understanding of hybrid organizations still is limited and, especially in a lot of the Dutch literature on the subject, tainted by normative bias. That is why I decided not to formulate and test hypothesis based on what I had learned in the literature, but rather to develop a list of *sensitizing concepts*.

In 2004 I was fortunate to be able to test and add to my list of sensitizing concepts by participating in a research project by the Netherlands Court of Audit on the benefits and risks of public entrepreneurialism by three hybrid organizations. This project gave me an invaluable insight in how hybrid organizations function in practice.

*Case study research*

Based on my experiences with the Court of Audit’s research project, I not only added to my list of sensitizing concepts but also decided to use an exploratory case study approach as research strategy. I based this decision on the idea that the Dutch debate needed to be moved away from the ideological stalemate between advocates and adversaries of the idea of hybridity, to a discussion about how hybridity effects organizations in practice. This could, I was and am convinced, best be achieved by a small number of in-depth case studies. Employing the case study method in my
research also seemed to be a good choice because of the research questions case studies can answer (which are mostly, as are my own, how questions), the fact that I as a researcher had no control over the phenomena I studied and that these were contemporary, ongoing events (Yin, 1994).

After careful deliberations I opted against a cross-sectoral or even international comparison. I made this decision in the belief that the differences between sectors as well as political settings would make a comparison between case organizations more difficult. This made it necessary to decide on a sector within which to conduct my research as a first step in the selection process.

I decided to conduct my case studies in the waste management sector. This had two main reasons. Firstly, there is a rich supply of organizations. Second, the organizations in this sector have a researchable scale, which made it possible to include a whole organization and not only parts or divisions of it in my research. Third, so far hardly any research has been done on waste management organizations with a public administration focus.

After several interviews, three hybrid waste management organizations were willing to be my case studies. The first, which I gave the code name TOM to ensure its anonymity, was the waste incineration and recycling plant of a big city. The second, which I call DICK, was a company collecting waste on behalf of several smaller municipalities in the west of the Netherlands. And the third, which I call HARRY, was a waste collection and disposal company of one of the island areas of the Netherlands Antilles.

At each organization, I gathered evidence from three sources: documentation, interviews and direct observations. I composed an individual case study report for each organization studied and discussed it with its chief executive. I also summarized my findings and presented them to a panel of experts. This panel of experts consisted of seven directors from waste management organizations. I asked them to reflect on my observations and to tell me whether they sounded familiar to them. By doing so I also collected data on how other waste management organizations dealt with hybridity, though not on a level of detail comparable to my three individual case studies.

Validity issues

I dealt with possible validity issues by always using multiple sources of data, combining documentation, interviews and (whenever possible) observations as sources of evidence. Second, I strived to establish a chain of evidence by making it clear where the data underlying my analyses came from. A third tactic I used was to ask every interviewee to review the summary I made of our conversation and to alert me to factual errors, misinterpretations and omissions. I did the same with my draft case
study reports, which I presented to the managing directors and my contact persons in every organization.

Also the session with the managing directors of other waste management companies mentioned above was aimed to make sure that what happened at my three case studies was not unique to them but also representative to other organizations in the same sector. I strived to achieve reliability by composing a case study protocol, which included a list of the sensitizing concepts I paid attention to in all case studies. I also developed electronic as well as analogue case study databases for my individual cases, containing copies of all the materials collected during the course of my research.

**Hybrid organizations in Dutch waste management**

*Public and private interests*

Waste management organizations fulfil very important tasks: the quality of their services bears a direct connection to the state of our economy and our quality of life. There are several public interests at stake in waste management, as it is generally considered to be an essential service to society. But taking care of our society’s trash is big business too. Large internationally operating companies dominate the waste management market, in which also many publicly owned companies participate. Until recently the Dutch waste management sector was heavily regulated. It now has become a dynamic market place.

*Market segments*

The waste management sector consists of several market segments. In my doctoral thesis I mainly looked at two of them, the market for waste collection and the market for waste disposal. Municipalities are obliged to ensure the collection of household waste. In the past many municipalities did so by providing collection services themselves but since then some have chosen to contract these services out to public and private companies or to enter into a public private partnership with a commercial waste management company. Municipalities are not obliged to collect industrial waste; businesses have to take care of their waste themselves. Like municipalities in the collection of household waste, they can choose from an array of arrangements. This market segment is dominated by commercial and internationally active players.

The market for waste disposal (which in The Netherlands mainly means waste incineration) is dominated by public companies.

*Debate about hybridity*

As in many other policy fields there also is a fierce debate in the waste management sector about the commercial activities of hybrid organizations. Private waste
management companies regularly suspect them of unfair competition. Another criticism often heard, concerns the fact that no tender is needed when a municipality grants a contract to a public company it owns shares in. Commercial waste management companies also argue that public companies use their protected status in their home markets (their own municipalities) to win tenders elsewhere.

Managers from public waste management companies do not accept this criticism. According to them there is no unfair competition and municipalities should be free to also employ their own collection services if they wish to do so. They also claim that their organizations pay more attention to the societal goals of the municipalities they work for, compared to their private counterparts.

I find the debate about hybrid organizations in the Dutch waste management sector remarkable on two grounds. First, also in this sector hybridity is a rather controversial issue, with representatives of commercial and of hybrid waste management organizations at loggerheads with each other about the possible effects of hybridity. Many of the arguments they use seem to be based on hearsay and speculation but there are hardly any hard verifiable facts. Independent research on what is actually happening when hybrid organizations enter the market place seems to be needed.

Second, the old adage where one stands depends on where one sits is also true here. There are many arguments in this discussion about possible positive and negative effects of hybridity but they are all based on or tainted by the business interests of their proponents. Again, this makes independent research necessary about what really happens when hybrid waste management organizations enter the marketplace.

Conclusions of case study findings

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. 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. 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 responsible for how the organizations fared to their respective legislative bodies, which were local councils.

In the following sections I describe how the three organizations transformed due to their new hybridness on these dimensions I identified earlier.

**Development on dimensions concerning 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. They 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, as well as to citizens’ waste management needs 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. Both organizations were only autonomized after intense lobbying by their managing directors.

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 by labelling the organization a proactive service provider, a hybrid of a traditional public service provider and a market organization.

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 not captive customers. This forced DICK to compete with other waste management companies for their contracts.
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. In the case of Tom, most of the waste it burnt still originated from municipalities. However, 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. Tom would now 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 dependent on the developments on the commercial waste management market which is very cyclical.

*Developments on dimensions concerning 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. 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, 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.

*Developments on dimensions concerning governance and politics*

Their hybridness brought a change in governance for all three organizations. Tom remained an agency on paper, with an alderman ultimately responsible for its actions, but its managing director was granted more managerial and executive autonomy.
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. These consisted of political appointees and non-politically appointed board members.

Their new hybrid status on these dimensions produced several positive and negative effects for TOM, DICK and HARRY:

*Economic effects of case organizations' hybridness*

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 turnover and profit 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.

Another flipside of higher turnovers and profits as positive effects of hybridity, is unfair competition. 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.

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 alone.

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.

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.

**Performance related effects of case organizations’ hybridness**

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. First of all, TOM, DICK and HARRY had been financed by a lump sum budget in the past. This meant that they had lacked any incentive to save money by working more efficiently. 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. 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. 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.

Cultural effects of case organizations’ hybridness

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. 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.

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 HARRY but especially at TOM.

TOM’s board put considerable time and energy into trying to change its political, bureaucratic and task-focussed 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. 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, which created jealousy and made the organization’s blue-collar staff fear being marginalized.

**Governance related effects of case organizations’ hybridness**

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 remained a municipal organization but 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. 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.

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. The hybrid composition 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.

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. I then organized an expert meeting to discuss my (anonymized) findings with the directors of seven hybrid waste management companies. This was done to establish whether my observations were more generally applicable in the waste management sector. Based on this I feel comfortable to state that my research draws an adequate picture of hybrid organizations in Dutch waste management.

Key conclusions

The key conclusions I drew from my case studies are:

- The hybridisation of an organization often starts with the initiative of an enthusiastic and ambitious director of an agency who then tries to win over his political principals. If the director plays his cards right, he can greatly increase his autonomy.

- Managers rather focus on the opportunities due to hybridity and politicians rather on the risks it poses. They focus on either side of the same coin while sometimes forgetting about the flipside.

- An organization’s legal form is no decisive factor in its hybrid character or hybridness.

- Whether an organization mixes activities for public and private customers and therefore public and private sources of funding is also not a decisive factor in its hybridness.

- An organization’s transformation into a hybrid is a process in which hard and soft factors matter and which rather is an evolution than a revolution.

- Hybridity leads to a more businesslike relationship between an organization and its public principals.

- The mere fact that an organization increases its turnover and profit after being hybridized does not necessarily result in a benefit to the public.

- The threat of unfair competition is not necessarily an argument against hybridity. It can be desirable from a public standpoint or be a matter of interpretation.
Hybridity makes an organization more susceptible to market pressures. This will be an incentive to increase its performance, eg, through a change in financing, by introducing competition, by bringing employees with a commercial background into the organization and by adopting private sector management techniques.

Having both captive public and commercial customers, will make it tempting for an organization to spend more attention on the latter. Hybridity will therefore only have positive performance related effects for public customers if they are not captive and the organization has to fight for their business.

Public and private values do not necessarily clash but conflict will arise when an organization’s management tries to force new values and new ways of conducting business on its workforce.

Hybridity can lead to a more professional governance, in the sense that there is a better division of responsibilities, suiting the organizations’ new position as players in the waste management market better than their former more bureaucratic and politicised governance. However, the new governance arrangement will only work if an organization’s political principals are willing to embrace their new roles as shareholders.

A supervisory board can compensate for the lack of interest and expertise hybrid organizations often encounter at governments. But political appointment of members of such a board can lead to loyalty conflicts for these board members.

As hybrid organizations differ from one another and as there is not one dimension that is in itself a prerequisite for hybridity, it is important to recognize their hybrid fingerprint, or hybridness. My multidimensional model can help in this process.

The model can also be used as an indicative-diagnostic tool to predict on which dimensions hybridity might have positive or negative effects and to prepare for them.

Hybridity is as a process of organizational change no revolution but an evolution.

Hybridity neither is a catastrophe, nor a panacea but needs to be managed properly. The biggest challenge is to prove in every single case that the expected opportunities created through hybridity far outweigh the costs of controlling the risks it poses.