Chapter 2
Hybrid organisations between state and market

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Introduction

Hybrid organisations are defined by the mixing of different and inherently contradictory characteristics. Their hybridity makes them contested phenomena. While their proponents claim that they can combine the best of different worlds - in the words of British newspaper *The Economist* 'the security of the public sector and the derring-do of the private sector' - their adversaries claim that they only combine the worst. Hybridity, the more critical voices warn, leads to 'inherently confused organisations, buffeted by all sorts of contradictory pressures. This means that their internal operations can be hard to understand and their behaviour may be hard to predict' (*The Economist* 3 December 2009).

This contradiction and contention is perhaps most severe where state and market meet each other and organisations have to combine the characteristics of the public and the private sector in the provision of public goods and services. It is those public/private hybrids we look at in this chapter. In the model developed by Billis (2010a, p. 57) they inhabit zone three where the public and the private sector overlap.

Examples of such public/private hybrid organisations are state-owned enterprises, agencies and other forms of quasi non-governmental organisations (or quangos) that not only operate at arm's length from their political masters but also undertake commercial activities on behalf of government, mixing them with their activities related to public interests (Bruton et al., 2015; Pollitt et al., 2004, 2001; Pollitt and Talbot, 2004; van Thiel, 2000; Verhoest, 2011). Such hybrid organisations can be found in many countries (Billis, 2010b; Grohs, 2014; Grossi and Thomasson, 2015; Karré, 2011; Koppell, 2003; Kosar, 2011; Rhodes and Donnelly-Cox, 2014; Seidman, 1988) and are not a new phenomenon. There are many experiences of public/private hybrid organisations in history. The Netherlands and Britain for example amassed huge amounts of wealth by virtue of hybrid trading companies such as the British and the Dutch East India companies (for the latter see Vermeulen and van Lint this volume chapter 11). And in many countries it was not the state that started many of what we now see as critical public functions and services like education, health and public infrastructures, but societal groups as churches, citizens concerned with social issues or businessmen who saw commercial opportunities in building railways or water supplies for sprawling cities.

After the Second World War the public sector grew, as the state began to play a more prominent role in the provision of public goods and services in Western countries (Jackson, 2003). But now hybridity and hybrid organisations are once more on the rise. Over the last few years, many countries have moved from the 'welfare state' to a 'welfare mix' (Defourny, 2014, p. 20; Seibel, 2015). Government agencies are no longer the sole provider of public services. Governments make use of commercial companies for the provision of public services and public sector service providers are now also expected to embrace private sector management techniques, to become more out-going and responsive and to engage in the market place. They now '(1) involve a variety of stakeholders, (2) pursue multiple and often conflicting goals and (3) engage in divergent or inconsistent activities' (Mair et al., 2015, p. 714). By doing so, they have become hybrid organisations, 'heterogeneous arrangements, characterized by mixtures of pure and incongruous origins, (ideal) types, "cultures", "coordination mechanisms", "rationalities", or "action logics"' (Brandsen et al., 2005, p. 750). These hybrid organisations include a mixture of the characteristics of societal sectors, different modes of governance and institutional logics.

This change from the 'welfare state' to the 'welfare mix', and the rise of hybrid organisations that accompanied it, is often explained by the rise of two broad movements or trends (some would call them fashions) of the last thirty-odd years, New Public Management (NPM) (Christensen and Lægreid, 2011a, 2011b; McLaughlin et al., 2002; Pollitt et al., 2007) and New Public Governance (NPG) (Durose and Richardson, 2015a, 2015b; Fotaki, 2011; Osborne, 2010a; Pierre and Peters, 2000). New Public Management's underlying logic is to run government like a business through the introduction of private sector management techniques with a focus on economy, efficiency and outputs. NPM also advocates a purchaser/provider split, in which public goods and services are provided via contractual relationships by a collection of independent agencies that are in competition with one another. By contrast, New Public Governance 'posits both a *plural state,* where multiple interdependent actors contribute to the delivery of public services, and a *pluralist state,* where multiple processes inform the policy-making system' (Osborne, 2010b, p. 9). Here the focus is on the ways in which public service organisations interact with their environment and the governance of these interactions and their effectiveness and outcomes.

NPM and NPG followed each other in time, but did not substitute one another. On the contrary, different reform strategies were combined while the core values of traditional public administration remained intact, leading to some sort of a layering or sedimentation process (Olsen, 2009; Osborne, 2010b; Streeck and Thelen, 2005). Because of this, public service provision and public administration as a whole have become more complex and more hybrid (Christensen and Lægreid, 2010, p. 407) 'resulting in multiple-layer structural and cultural features'. Emery and Giauque (2014) make the same point in an article describing the hybrid universe of public administration in the 21st century.

As the whole system of government and public administration has become more mixed, the set, predictable blueprint for governmental organisations – if such a thing ever existed – has become less prevalent. More and more organisations operate in the fuzzy world between the public and the private realm. These hybrid organisations come in all sorts of different shapes and sizes. Therefore the first step in understanding these organisations, and of standing a chance of minimizing the perceived risks and maximizing possible beneficial effects, is to explore just what makes them hybrid.

This chapter sets out do so by providing a conceptual model of public/private hybrid organisations. It is based on insights from the fields of public administration and political sciences and summarizes several characteristics of hybrid organisations that exist between state and market on an array of different dimensions. This model also makes it possible to distinguish between different forms of hybrids and can therefore be used as a taxonomy of hybrid organisations.

We focus on the following two questions:

1. On what dimensions can an organisation be hybrid?

2. What are the possible positive and negative effects of an organisation's hybridity?

The first question will be examined in section two of this chapter by taking a closer look at the labels 'public' and 'private' and what they mean when it comes to organisations. We will look at how ideal-typical public and private sector organisations differ from one another with regard to (among other issues) their funding, autonomy and core values. We will argue that a dichotomous view of public versus private bears little resemblance with reality where there is a fuzzy border between public and private. By contrast, we will develop the model of a multi-dimensional continuum in which ideal-typical public and private sector organisations are the extremes between which many different hybrid organisational forms can exist. We will describe several dimensions of such a continuum and show how the model can be used to chart hybrid organisations.

We will focus on the second question concerning hybridity's effects in section three. We do so by examining the literature on hybridity's benefits and risks which leads us to examine the financial, cultural and political benefits and risks every hybrid organisation faces potentially. We will also discuss which effects (positive and negative) are most likely for what kind of hybrid organisation based on the multi-dimensional continuum developed in the preceding section.

The chapter ends with some general conclusions on hybridity in organisations and a discussion of what that means for research and practice.

The continuum between public and private

Public versus private as a grand dichotomy

The distinction between public and private - between the realm of the state and that of the market place - is often seen as a dichotomy. In this view, state and market are not only fundamentally dissimilar but are also two mutually exclusive domains. The state safeguards public interests through coercion and by providing essential public services through public organisations. And the market, driven by individual self-interest and the quest for making a profit, provides commercial goods and services through private organisations.

Dahl and Lindblom (1953) distinguish between *agencies* as ideal-typical governmental organisations on the one hand and *enterprises,* or ideal-typical business firms, on the other (cf. Rainey, 1997, pp. 61–3; Rainey and Chun, 2007, pp. 75–6). A comparable distinction is made by Simon (1989) who speaks of task and market organisations (see Joldersma and Winter (2002) for an English translation). Since then many authors have refined Dahl and Lindblom's distinction; see Rainey and Chun (2007) for an overview.

Agencies produce public goods and services which means that their outputs are not readily transferable to economic markets at a market price. Instead they rely on governmental appropriations for their financial resources. Because of this their autonomy is limited. They function under governmental authority and oversight which leads to more red tape and more elaborate bureaucratic structures. Agencies often have a monopoly and do not have to fight off competitors.

Enterprises thrive in economic markets where they constantly have to prove to the customer that their goods and services are more desirable than those of their competitors. They are financed through sales and fees. Enterprises, of course, also have to adhere to public laws and regulations but in general they have a considerable degree of autonomy concerning their transactions and relations.

Another way to differentiate between ideal-typical public and private organisations is to look at the values that guide their organisational and managerial behaviour. The discussion about similarities and differences of organisational values in the public and the private sector is extensive and not less contested than that about hybrid organisations themselves (for an overview of the debate see Van der Wal, de Graaf and Lasthuizen (2008) and Van der Wal and Van Hout (2009)). For our purposes of comparing ideal-typical public and private organisations we focus on two approaches which have played a role in the discussion on hybrid organisations in the field of public administration: Jane-Erik Lane's distinction between guiding principles in public administration and public management and Jane Jacob's distinction between two moral syndromes.

In a seminal article, Lane (1994) set out to describe the differences between an approach to public service provision dominated by the traditional public sector values commonly referred to as classic Public Administration and one dominated by New Public Management, a management style in which private sector values were introduced into the public sector. In the value system of public administration, which is prevalent in ideal-typical public organisations, guiding principles such as rules, openness and legality are important and employees enter the organisation because they see it as their vocation to serve the public interest. Contrary to these values, Lane's public management approach is guided by principles also at play in ideal-typical private sector organisations. Here objectives, secrecy and effectiveness are important and the whole organisation is aimed at making a profit.

A second way of distinguishing between ideal-typical public and private sector organisations based on their value orientations is featured in Jacob's (1992) book on 'moral syndromes'. Here this urban theorist, who is better known for her other works on cities and urban planning, explores the morals and values that underpin working life. She distinguishes between two moral systems (which she calls syndromes) the Guardian Moral Syndrome, which is at play in governments, armies, religion and some big, bureaucratic private organisations and the Commercial Moral Syndrome, which is at play with regard to all human activities concerning trade and the production of goods. The syndromes are each driven by 15 precepts each.

The two main values in the Guardian Moral Syndrome are taking and force. Trading and other commercial activities are shunned. This is a culture that thrives on tradition, obedience, discipline, hierarchy and loyalty and in which expert knowledge gives power. Vengeance and deception are permitted, as long as they are for 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 are also important.

By comparison, trading (in the sense of commercial activity) is the main value of the Commercial Moral Syndrome. This culture is all about cooperation, honesty and the abiding of contracts, as well as about competition, initiative and enterprise, innovation and efficiency.

Jacob's two syndromes are arguably a black and white (some might even call it caricature-like depiction of the differences between the guiding principles of state and market). For our purpose of constructing a sharp distinction between public and private sector organisations, however, her ideal types - as well as those of Lane - fulfil an important task. They are not meant to be taken as literally true but, in the tradition of Weber, are to be understood as a way of carving out as clearly and sharply as possible how two phenomena can be distinguished by using abstract, hypothetical constructs.

In theory there are thus a number of ways of distinguishing between public and private organisations but in practice these clear distinctions are often hard to make. The reality in which organisations engaged in public service provision operate is messy and fuzzy and they do not necessarily always stick to the ideal-typical roles outlined before. There has always been a fuzzy border between public and private: '[s]ince human societies formed, there have always been complex relations and interplay between purportedly private economic activity and governmental entities' (Dahl and Lindblom, 1953; as cited in Rainey and Chun, 2007, pp. 73–4).

Treating the categories of public and private as a dichotomy involves drawing a picture of a stable society in which both state and market place have their own and specific roles, activities, responsibilities and realms of influence. In such a world there are no hybrids - except perhaps as some sort of deviance or as a half-way house for the short period when an organisation leaves one sector and enters another such as through the processes of nationalisation and privatisation. Society has, however, become more complex as we described in the introduction to this chapter. This complexity breeds hybridity as hybrid organisational forms find their place in a world in which institutional logics are not static but mingle and mix freely. From such a perspective it seems more helpful to see public and private not as a dichotomy but rather as a continuum consisting of several dimensions based on the various characteristics of different organisations.

Public and private as poles of a multi-dimensional continuum

In this chapter, we argue that here is no clear-cut dichotomy between public and private and, what is more, there is no trichotomy between homogenous public, private and hybrid organisations either. Public organisations behave differently from private organisations, and hybrid organisations behave differently still. Furthermore, one hybrid organisation will behave very differently from another. Within the hybrid area between public and private, all kinds of different styles and shapes of hybrid entities operate. The term hybrid alone says very little about an organisation – one might even argue (to paraphrase the title of Bozeman's (1987) classic book) - that all organisations are hybrid to some extent and hybridity is therefore a poor predictor of the possible dangers or benefits attributed to this status.

This chapter therefore looks at the various characteristics that define an organisation as hybrid. If there is a continuum between public and private which criteria do you use to determine where on that continuum a specific organisation fits? We may look at the legal form of an organisation and get a very clear answer on whether it is public or private. Yet few other characteristics give such a black and white picture. An ideal-typical public organisation would be 100 per cent funded by public (taxpayer) money and the public, or its representatives, would have 100 per cent say over its activities. However, few organisations are that pure. To name but some examples, many public sector schools or cultural organisations are happy to accept donations (whether in money, materials or time) and why would the public library not let out its function rooms after closing time to earn some extra cash? This argument also runs the other way: some organisations seem at first sight to belong to the private realm but dig a little deeper and one might find out that, for example, the local municipal government owns a substantial stake in that otherwise private commercial Local Airport Ltd.

We can devise several possible axes between ideal-typical public organisations on the one extreme and ideal-typical private organisations on the other. In the remainder of this chapter, we will refer to these axes as dimensions of hybridity. There are already several models for doing so, of which some are one-dimensional (Dahl and Lindblom, 1953; Fottler, 1981) and others multidimensional (Billis, 2010a; Bozeman, 1987; Denis et al., 2015; Evers et al., 2002; Perry and Rainey, 1988; van Thiel, 2000; Wamsley and Zald, 1973). Summarising all these individual models, Karré (2011) produces a synthesized model that consists of ten dimensions:

- *Legal form*: does the organisation fall under commercial law or is it an entity under public law?
- *Ownership:* the continuum between public ownership (by the government) and private ownership (either by a single business owner or a group of shareholders).
- *Activities:* the continuum between statutory activities (at the behest of government) and purely commercial activities.
- *Funding:* the continuum between government appropriation and private funding.
- *Market environment:* the continuum between a monopoly and full competition.
- *Value orientation:* the continuum between a public and a private sector value orientation. The first is defined here by the guiding principles of Lane's Public

Administration approach and Jacob's Guardian Moral Syndrome. The second is defined here by the guiding principles of Lane's public management approach and Jacob's Commercial Moral Syndrome.

- *Strategic orientation:* the continuum between a strategy mainly aimed at government and public sector goals and one more at the market and its own commercial interests.
- *Relationship with public principal:* this is the continuum between a hierarchical relationship between the organisation and government in dealings between the two and a vertical relationship of equals based on a contract under private law.
- *Levels of autonomy:* the last two dimensions of the model presented here concern the amount of autonomy the senior executives of an organisation possess in their day-to-day activities. We make a distinction here between autonomy on issues concerning the internal processes of the organisation (managerial autonomy) and autonomy on issues concerning how it executes its tasks, in other words how it delivers the public services it has been tasked to fulfil (executive autonomy):
  Managerial autonomy is the continuum between no and full autonomy for the organisation's senior executives to engage in strategic management, that means to specify the organisation's objectives, translate them into policies and plans and to allocate resources to implement them.
  Executive autonomy is the continuum between no and full autonomy for senior executives on how to design and organise the organisation's operational processes, that is, how to execute the production of public goods and services.

Charting hybrid organisations

An organisation can be defined as *hybrid* if it mixes public and private sector characteristics or one or more of the above mentioned dimensions. However, given the many interrelations between the public and the private sector, the number of organisations that are hybrid on one or a small number of dimensions is quite substantial. It is therefore necessary not only to take into account whether an organisation mixes public and private but also the intensity of this mix which we define here as an organisation's *hybridness.* This hybrid thumbprint of an organisation can be illustrated by scoring it on a radar chart, for example by using the following scores: completely public (0), mostly public (2), somewhat public (4), halfway between public and private (5), somewhat private (6), mostly private (8) and completely private (10).

So how do these charts work? A hypothetical organisation, represented as only a dot at the centre of the chart, would be 100 % public on all of the dimensions featured before: the ideal-typical agency. As the surface area grows, the organisation becomes more private to the maximum of covering the full chart, which represents an organisation that scores 100 % private on all dimensions, the ideal-typical enterprise. A prototypical hybrid organisation would be half agency/half enterprise and could be visualized as portrayed in Figure 1.

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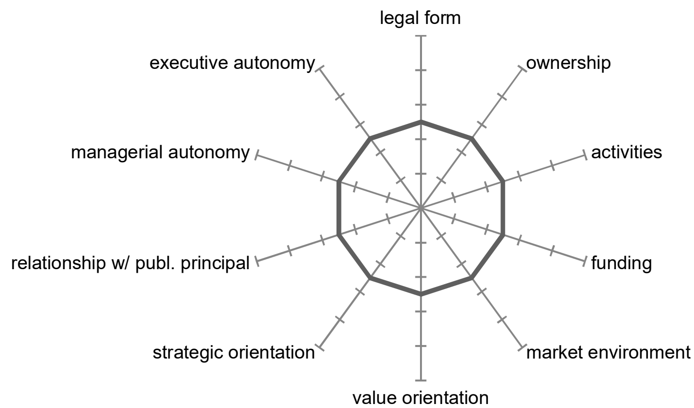
Figure 1 Ideal-typical hybrid organization



However, reality is far messier and such *perfect* hybrids are only rarely to be found. Most hybrid organisations do not score evenly on all dimensions but rather show heterogeneous scores. Figures 2 and 3 show examples of such heterogeneous hybrids. These examples are fictitious but were inspired by real-life cases. For a study in which this model has been used to chart three hybrid organisations in the Dutch waste management sector, see Karré (2011).

Figure 2 visualizes a hybrid organisation that is a municipal service. It conducts some activities for commercial customers but is still mostly funded by a municipality. Its culture still is more bureaucratic than entrepreneurial and the organisation's strategy is mostly aimed at the public sector. The organisation's director only has limited autonomy concerning how he runs the organisation and how it conducts its services.

Figure 2 A hybrid municipal service

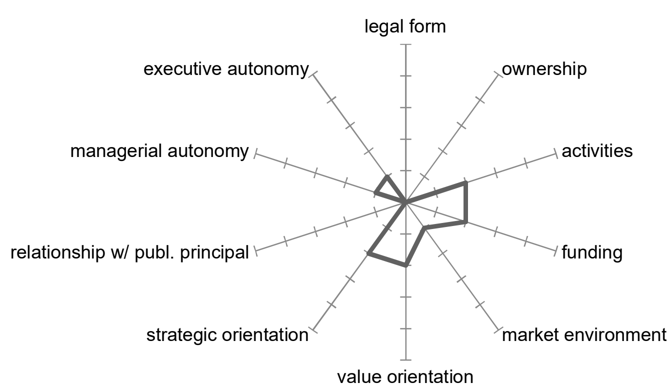
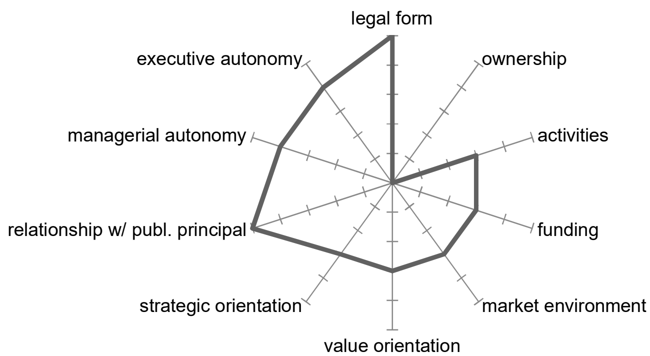


Figure 3 visualizes a quite different organisation. This hybrid organisation has been located at arm's length as a quango. A governmental department is still its principal but it already conducts most of its activities for private partners and hence generates a substantial amount of its income from commercial activities. This organisation operates in a competitive market environment and embraces commercial values and strategy. The organisation's CEO has a considerable amount of managerial as well as executive autonomy.

Figure 3 A hybrid quango



Obviously scoring an organisation on these ten dimensions is no exact science and the *raison d'être* of such charts is not to pretend that it is possible to come to an absolute measure of an organisation's degree of hybridity. They can however be used to compare different organisations - or one organisation at different points in time - and as an indicative-diagnostic tool to highlight those dimensions on which an organisation's hybrid status can be expected to cause tensions. The radar charts presented here can also be used as a tool to help an organisation's stakeholders visualize how they see the organisation at the moment and how they would like to see it in the future. As such, they are meant to start a further discussion (especially within the organisation in question) about its hybridity.

For example, the author used this model to facilitate discussions in a Dutch public agency about the further strategic course of the organisation. He asked respondents, all employees of the organisation, to score the organisation as they saw it now and as they would like it to be in the future. This exercise made it clear that views differed widely not only on the organisation's future, but also on how the organisation functioned presently. The model established these differences and provided the agency's team members with a starting point for their conversation and the language needed to discuss their differences.

Besides being understood descriptively, these spider charts can also be used as an indicative-diagnostic tool to highlight those dimensions on which an organisation's new hybrid status can be expected to be either beneficial or hazardous. Both the organisations visualized in figures 2 and 3 are hybrid organisations. However, they differ from one another in regard to the degree of their hybridness which is more intense for the latter than the former. The organisation visualized in figure 2 for example is hybrid on the dimensions concerning its activities, funding, market environment, value and strategic orientation as well as those concerning its managerial and executive autonomy. Based on these observations, we might expect that the positive and negative effects of its hybridity will also occur on these dimensions. We will develop this point further, by looking at the possible positive and negative effects of hybridity in the next section.

The effects of hybridity

We now turn to possible positive and negative effects of hybridity. We summarize the arguments brought forward about benefits and risks in the literature and also link them to the conceptual model developed in the preceding chapter by discussing which effects (positive and negative) seem to be most likely for what kind of hybrid organisation.

Risks

The literature on hybrid organisations tends to focus mostly on the possible risks of hybridity rather than on its potential benefits. Brandsen and Karré (2011) speak of three kinds of risk - financial, cultural and political - which tend to focus on the danger of corruption.

Financial risks concern the possible loss of public funds due to an organisation's hybridity. This could occur either directly through investment in risky ventures or indirectly through exposure to unfair competition. One form of unfair competition by hybrid organisations concerns the use of cross-subsidies, in which the organisation uses government funds to compete in commercial markets by keeping its cost price low thanks to the use of publicly funded overhead (accommodation, administrative staff). This is problematic on two accounts: it can lead to a loss of public money when the commercial activities of the organization turn out to be less successful than planned and public funds are needed to compensate for private losses. The second and less obvious – though arguably more common – effect of this use of cross-subsidies is that it creates implicit overcapacity at the taxpayer's expense.

Other forms of unfair competition are the use of confidential government data for commercial means (granting the organisation a competitive edge over its competitors), the forming of public monopolies and the combination of conflicting roles, such as an agency that also starts to produce goods and services in a sector which it regulates.

Cultural risks are due to a decline in public service ethos and the impact of moral degeneration as the result of clashing values. As early as 1992 Jacobs had warned that introducing a profit orientation in public service provision would lead to corruption. Koppell (2003) makes that point in his study of mortgage lenders Freddy Mae and Fanny Mac while Denis, Ferlie and Van Gestel (2015) elaborate on this kind of risk. Based on institutional theory (as for example developed by Thornton et al., 2012), they write that combining several organisational archetypes and institutional logics will lead to unstable organisations. Using Actor Network Theory (based on work by, among others, Latour, 2003, 1987 and Law,

1991) they argue that the various values, norms and instruments of different regulatory regimes may not be readily combined. And from an identity perspective (which Noordegraaf (2015), for example, also uses to discuss hybrid professionalism) they make the point that a mixing of multiple identities can lead to challenges and dilemmas for individual practitioners when, for example, an organisation attracts new, more business-minded employees for its commercial activities that do not fit in with its more veteran staff.

Political risks deal with the danger that governments will no longer be able to control organisations effectively once they have become hybrids. Putting an organisation at arm's length and allowing it to enter the market place, it is feared, will lead to it developing its own identity and opportunistic behaviour. As hybrid organisations focus mostly on their own interests and have to please a wider array of stakeholders, they become less dependable partners for their political principals in the provision of public services and this could lead to an accountability gap (Grossi and Thomasson, 2015). This is also a point made by Mair, Mayer and Lutz (2015, p. 715) who warn that hybridity leads to 'ambiguity about incentives and value dispositions in performance measures' as it 'involves accountability to a diverse array of stakeholders'. Similarly, Ebrahim, Battilana and Mair (2014) point to mission drift and accountability challenges in hybrid organisations.

Linking these ideas about hybridity's risks with the conceptual model developed in the previous section, we can assume that negative financial effects will mainly be an issue for organisations that are hybrid on the dimensions labelled structure and activities. These deal with the ways in which an organisation is funded and under how much commercial pressure it has to operate (referred to here as market environment). Hybridity's negative cultural effects will mainly be an issue for organisations that are hybrid on the dimensions labelled culture and strategy as these deal with the clashes that can occur due to the mixing of various values, norms and instruments of different regulatory regimes and of contradictory identities. Finally, we can assume that negative political effects will mainly be an issue for organisations that are hybrid on the dimensions labelled governance and politics. An organisation that is hybrid on these dimensions, and its political principals, need to be aware of mission drift and accountability issues.

Benefits

Besides the risks of hybridity, the literature also describes several possible positive effects. The main benefit of hybridity appears to be synergy as hybrid organisations can combine the best of different worlds (Brandsen, 2010, p. 841). Here the fact that hybrid organisations have to combine organisational archetypes, values, norms, instruments and identities is not seen as a weakness but as a strength. In addition the whole notion that organisations fall apart without a single dominant cultural syndrome is questioned (van der Wal and van Hout, 2009). Mair, Mayer and Lutz (2015, p. 715) mention several possible positive effects identified by scholars who 'suggest that operating in institutional interstices and combining multiple logics (ie. considering and adhering to multiple prescriptions) might open up opportunities, as organizations can access broader sets of resources and expand their practices, which allows them to be innovative, to create new products and services and to pioneer new ways or organizing'.

The benefits of synergy to hybridity can be seen on the same broad fields on which hybridity's negative effects show themselves - financial, cultural and political. One example of a financial benefit would be the access to new markets and new resources gained by an organisation that enables government to reduce its contributions. This was originally one of the main reasons why public organisations were put at arm's length based on the ideas behind New Public Management. A cultural benefit of synergy is the idea - already mentioned - that hybrid organisations can combine the best of both worlds. This could take the form of an agency that learned how to be more customer-oriented, efficient and innovative while at the same time upholding its public service ethos. And a political benefit of synergy through hybridity could be that the organisation does indeed embrace all of its shareholders which in many public organisations include citizens and clients as well as government. This would help the organisation to retain its legitimacy in the new world of New Public Governance.

The potential positive effects of hybridity can be linked to the conceptual model developed in the preceding section. We can assume that positive financial effects will mainly be an issue for organisations that are hybrid on the dimensions labelled structure and activities. By engaging in new activities, organisations can expand their practices and access new financial and other resources. Hybridity's positive cultural effects will mainly occur in organisations that are hybrid on the dimensions labelled culture and strategy. It is by combining the best of both worlds in terms of values, norms and practices that these positive effects can occur. Finally, we can assume that positive political effects will mainly be an issue for organisations that are hybrid on the dimensions labelled governance and politics. By granting the organisation more autonomy, it also has the freedom to engage with other societal actors as well as those involved in politics.

Discussion of risks and benefits

Table 1 summarises hybridity's risks and benefits along the lines of financial, cultural and political risks.

Table 1 Risks and benefits of hybridity

	Risks	**Benefits**
Financial	Loss of public funds	Access to new funding and other resources
Cultural	Decline in public service ethos and moral degeneration	Innovation
Political	Loss of control by politics	More legitimacy through broader group of stakeholders

It is interesting to note that these benefits and risks are not mutually exclusive: in practice they are often two sides of the same coin. Whether an effect is seen as a positive or as negative is often in the eye of the beholder and thus depends on who is making the assessment. Based on discussions undertaken in various research projects aimed at the effects of hybridity in Dutch hybrid organisations between state and market (Algemene Rekenkamer, 2006, 2005; Brandsen et al., 2006; Brandsen and Karré, 2011; Karré, 2011) we can elaborate on this point.

For example, CEOs of hybrid organisations often cite increased turnover and higher profits due to their additional commercial activities as positive effects of hybridity; their organisations can benefit economically from a more entrepreneurial course of action. Whether an organisation's improved financial position is also positive for the government that owns it or for the citizen who depends on the services it provides is, however, debatable. After all, if the hybrid organisation turns a profit, even though this is public money, it is not part of the public purse and not at the disposal of public budgeters. So an organisational financial benefit due to hybridity does not necessarily have to be beneficial for government or the public as a whole.

Whether the competitive advantages a hybrid organisation might have are interpreted as positive or negative, moreover, seems to be a matter of interpretation. It is not uncommon for an organisation's private competitors, guarding their own business interests, to claim that hybrid organisations have unfair advantages on the market place because of their links with government. But from a political standpoint, or that of the citizen, unfair competition may be desirable and may be not perceived to be a problem because it has beneficial effects for the public because there are often other motivations for choosing the public option than cost alone (such as creating local jobs or working to a higher environmental standard than a commercial competitor could provide).

Hybridity's cultural effects are also in fact two sides of the same coin. Managing an organisation in a more business-like manner can increase its effectivity and efficiency and thus save money. But some commentators point out that efficiency should not be the only goal in public service provision. For example, more business-like home care has been criticised for providing a stripped-down service, focused on providing only those tasks mandated by contract, in as little time as possible, and thereby ignoring the real needs of patients. Another flipside of a more business-like approach is that a hybrid organisation might be tempted to put more energy into providing commercially more advantageous services to its private customers and thereby neglecting its public customers. Behaviour appropriate on the market place, such as always choosing the cheapest or most profitable option, is not necessarily beneficial in a public setting. Furthermore, not all employees of an organisation might be capable of working in an entrepreneurial fashion and might be triggered to leave. This can also, of course, be seen as a positive effect, as it cuts the organisation's dead wood.

Finally, the political effects of hybridity can be seen in terms of different sides of the same coin. On the one hand its new hybrid status often leads to an organisation opening up and engaging in conversations and accountability dialogues with a variety of stakeholders. On the other hand, however, this can also be interpreted in a negative way, as government has less say on how the organisation provides its services and how it spends what is, in essence, public money.

Both benefits and risks have a flipside, which makes it impossible to state from the outset whether hybridity will be a salvation or an abomination. All depends, it would seem, on how hybridity is dealt with or managed. The model described earlier in this chapter can help to start a discussion about the best way to do this (see Karré (2011) for an illustration of how this can be done).

Conclusions and discussion

In this chapter we have looked at hybrid organisations from a public administration and management perspective. Hybridity has been seen as a public/private mix where public is understood to indicate the state and private the market. We suggested that the distinction between public and private is often seen as a dichotomy. However, in reality the border between state and market has always been rather blurred and has tended to shift and there always have been hybrid organisations that straddle that border between the sectors.

Recently their number has grown, as the rise of New Public Management and New Public Governance has made public administration in general and public service provision especially not only more complex but also more hybrid. Organisations engaged in the production of public goods and services now have to combine different and contradicting governance regimes and institutional logics as they mix the characteristics of public and private sector organisations. This can lead to innovation but also to confusion. Therefore we concluded that in order to understand hybridity in organisations and to start a discussion about its risks and benefits it was necessary to learn more about what makes a hybrid organisation really hybrid.

A first step to do so is to establish how ideal-typical public and private sector organisations (‘agency’ and ‘enterprise’ in the distinction introduced by Dahl and Lindblom) differ from one another. For this we looked at work undertaken by Rainey and Chun and others who distinguished them with regard to the environments they functioned in, their interaction with their environment and their organisational roles, structures and processes.

A second step in establishing how an organisation can be described as a public/private hybrid was to discuss how hybrid organisations can be positioned with regard to agency and enterprise. For this it proved difficult to approach public and private as a dichotomy as this either/or view seemed to exclude the existence of hybrid organisations from the outset. It also did not seem to fit with the prevalent view in research on public administration and management across the world that they were inherently complex and hybrid. To overcome this limitation we sketched a multi-dimensional continuum between the ideal-typical public and private sector organisations. Between these poles organisations could (summarizing conclusions drawn in a variety of studies) be located on ten axes or dimensions on which they can mix public and private. Those dimensions were (1) legal form, (2) ownership, (3) activities, (4) funding, (5) market environment, (6) value orientation, (7) strategic orientation, (8) relationship with public principal, (9) managerial autonomy and (10) executive autonomy. These ten dimensions can be used for the purposes of discussion and as a starting point for further enquiry as a means of charting organisations. This can help to develop a first understanding of the nature of their *hybridness* or their hybrid thumb print.

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We not only concluded that there is a variety of hybrid organisational forms in the continuum between public and private but also that there are a number of theories concerning the effects of their hybridity as possible benefits and risks. Both can be seen as financial, cultural and political. Financial risks concerned a loss of public funds and financial benefits access to new funding and other resources. Cultural risks concerned a decline in ethics and cultural benefits innovation through new combinations of values. Political risks concerned the loss of control by politicians and political benefits a strengthening of legitimacy as organisations enlarge their circle of stakeholders.

A closer inspection of the benefits and risks of hybridity as discussed in the literature showed that they were essentially two sides of the same coin, indicating that it is not clear from the outset whether hybridity will lead to positive effects, negative effects or perhaps both. Charting an organisation using the ten dimensions presented in this chapter can help to draw attention to possible effects (both positive and negative) making it possible to devise plans on how to minimize the perceived risks and maximize the possible beneficial effects.

A last question, taking these conclusions into account, is where to go from here both in theory and practice. We propose that there are at least three challenges that need to be overcome in order to further advance our understanding of hybrid organisations.

First, we need to improve our understanding of the essence of hybridity in organisations. In other words we have to find out more about what makes a hybrid organisation hybrid. This should not remain a purely theoretical or abstract activity but should be undertaken by conducting research in a variety of fields. The model presented in this chapter can be a helpful tool in this process, as it is a first step to getting to grips with the variety and diversity of hybrid organisational forms. But it is by no means the last thing that should be said on the matter. On the contrary, the model presented here and the thinking behind it could be used as an instrument to start discussions both in academia and the world of practice with the goal not only to test and develop it further but to also to enhance our understanding about the practical manifestations of hybridity in organisations.

Second, we also need to understand hybridity's benefits and risks; the circumstances under which they occur; with which intensity they are found; and what practitioner can do in order to get the most out of its positive effects while effectively controlling its negative effects. And this should not remain a purely academic activity but should be undertaken together with practitioners, for example in the form of action research. Managers of hybrid organisations will often have already found ways to deal with hybridity's effects and will also have a better understanding of how, when and why they manifest themselves.

Third, there seems to be more academic interest in hybridity and hybrid organisations. Recent examples are not only found in this handbook but also in special issues of scientific journals, such as *Public Administration* (see Denis, Ferlie and Van Gestel (2015) and *International Studies of Management and Organisation* (see Anheier and Krlev (2015) for an introduction). In these times of inherent complexity and hybridity in public administration this interest is laudable but research on hybrid organisations is often fragmented and there is too little contact and exchange between various groups, each of which seems to approach the subject from another angle and with another background. Much could be won should we succeed in working closer together while still employing a broad perspective, approaching hybrid organisations from various disciplines and angles. By doing so we not only stand a better chance of grasping the variety and diversity of hybrid organisations but can also hope to develop a better understanding of the complex and hybrid world of public administration in the 21st century.

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